

**EP Power Europe, a.s.**

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2023**

## **Table of Contents**

### FINANCIAL AND OPERATIONAL HIGHLIGHTS OF THE YEAR

Introduction by the Vice-chairman of the Board of Directors and CEO

1. COMBINED REVIEW OF OPERATIONS
  - 1.1 Major events in 2023
  - 1.2 Business performance
  - 1.3 Other Information
  - 1.4 Market development
  - 1.5 EU Taxonomy regulation
2. MANAGEMENT STATEMENT
3. REPORT ON RELATIONS
4. CONSOLIDATED AUDIT REPORT
5. CONSOLIDATED FINANCIAL STATEMENTS
6. SINGLE AUDIT REPORT
7. STATUTORY FINANCIAL STATEMENTS

## FINANCIAL AND OPERATIONAL HIGHLIGHTS OF THE YEAR

		2023	2022	2021 restated*
<b>INCOME STATEMENT</b>				
Revenues	€ million	20,467	33,608	16,452
Gross profit <sup>1</sup>	€ million	5,061	5,392	2,549
Earnings before interest, taxes, depreciation and amortization (Underlying EBITDA)	€ million	2,368	2,918	984
Earnings before interest and tax (EBIT) <sup>2</sup>	€ million	2,028	2,564	673
Net financial income (expense)	€ million	(24)	(130)	(47)
Profit before income tax	€ million	2,867	3,234	565
Profit for the year	€ million	2,404	2,638	523
<b>BALANCE SHEET</b>				
Total assets	€ million	15,567	18,849	14,431
Equity total	€ million	5,200	4,780	2,200
Net working capital <sup>3</sup>	€ million	3,107	1,793	2,218
Net financial debt <sup>4</sup>	€ million	1,138	206	237
Net financial debt <sup>4</sup> (excl. loans and borrowings provided by EPH <sup>5</sup> )	€ million	(902)	(881)	(1,217)
<b>CASH FLOW STATEMENT</b>				
Cash flow from operating activities	€ million	2,336	1,292	891
Cash flow from investing activities	€ million	(1,534)	(1,116)	(594)
Cash flow from financing activities	€ million	(766)	(677)	876
Change in cash and cash equivalents	€ million	36	(501)	1,173
Cash and cash equivalents	€ million	1,279	1,243	1,741
Capital expenditures (CAPEX) <sup>6</sup>	€ million	631	555	286
Income tax paid	€ million	646	172	138
Free Cash flow (FCF) <sup>7</sup>	€ million	1,091	2,191	560
<b>RATIOS</b>				
Net leverage <sup>8</sup>	x	0.5x	0.1x	0.2x
Net leverage <sup>8</sup> (excl. loans and borrowings provided by EPH <sup>5</sup> )	x	(0.4)x	(0.3)x	(1.2)x
Cash conversion <sup>9</sup>	%	46%	75%	57%
<b>Operating KPIs</b>				
Average number of employees	#	4,365	3,857	4,077
Net installed capacity <sup>10</sup>	MW	12,943	10,853	10,163
Net power production	TWh	34.5	34.4	37.3
Emissions intensity	t CO <sub>2</sub> /GWh	518	559	475

<sup>1</sup> Gross profit represents Revenues less Purchases and consumables

<sup>2</sup> EBIT = Profit (loss) from operations

<sup>3</sup> Net working capital = Trade receivables and other assets (non-current and current) + Inventories, extracted minerals and mineral products + Prepayments and other deferrals (current) – Trade payables and other liabilities (non-current and current)

<sup>4</sup> Net financial debt = Loans and borrowings – Cash and cash equivalents

<sup>5</sup> Energetický a průmyslový holding, a.s. („EPH“) is a parent company of EP Power Europe, a.s.

<sup>6</sup> Capital expenditure (CAPEX) represents additions to tangible and intangible assets less emission allowances, additions to right of use assets plus advances paid for tangible and intangible assets

<sup>7</sup> Free Cash flow is defined as Underlying EBITDA less CAPEX less Income tax paid

<sup>8</sup> Net leverage = Net financial debt / Underlying EBITDA

<sup>9</sup> Cash conversion = (Underlying EBITDA – CAPEX – Income tax paid) / Underlying EBITDA

<sup>10</sup> 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken off the merchant market in December 2021. For 2022 and 2023 Mehrum is included as the plant was put back into operation at the request of the German government until March 2024.

## **INTRODUCTION BY THE VICE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO**

Dear Stakeholders,

It is the fifth time I have the honour to present to you the annual report of EP Power Europe, a.s., this time for 2023.

During those five years EP Power Europe, a.s. (“EPPE” or together with its subsidiaries the “Group”) has grown continuously, so that in 2023 its Revenue are four times higher and EBITDA more than five times higher compared to 2019 when I had the pleasure to present to you the Group’s results for the first time. We have achieved all this despite the challenges we faced especially in past two years due to Covid 19, the energy crisis and the ongoing war in Ukraine that has not only triggered a humanitarian crisis unknown to Europe for decades but has also shaken the entire energy market.

Notwithstanding those challenges, I am pleased to say that the Group emerged stronger and even more resilient. We have been able to respond to the situation in a timely and efficient manner and thus helped to improve stability in markets where we operate.

### **Business and Financial Performance, Tax Contributions**

The Group’s performance in terms of EBITDA and Free Cash flow declined compared to the record year 2022 but remained very strong and still significantly higher than previous years. The Group’s consolidated EBITDA<sup>1</sup> reached EUR 2,368 million and consolidated Free Cash Flow<sup>2</sup> was EUR 1,091 million. We continued to invest in new projects, with CAPEX amounting to EUR 382 million out of total CAPEX of EUR 631 million. The Group’s net indebtedness remains on very low levels with consolidated Net Leverage<sup>3</sup> at 0.5x. For the year 2023, the Group companies are contributing a total of EUR 1,810 million in income taxes or as a consideration for CO<sub>2</sub> allowances to public budgets.

With an annual consolidated net power production of over 34 TWh, net installed capacity of 12.9 GW and high power plant availability, EPPE has confirmed its pivotal role in the European electricity market.

### **New Projects and Acquisitions**

In January and May of 2023, we expanded our presence in the Netherlands by acquiring four gas power plants and a supply business. This step not only diversified our energy market portfolio but also increased our net installed capacity by 2.6 GW. Our commitment to invest in cutting-edge power generation facilities remains unwavering. In 2023, our investments surpassed the previous year's by 15%. Notably, the construction of our significant projects, the Tavazzano CCGT power plant in Italy

---

<sup>1</sup> EBITDA has been prepared in accordance with the definition set out in note 33 to the consolidated financial statements.

<sup>2</sup> Defined as EBITDA less CAPEX less Income tax paid.

<sup>3</sup> Defined as Net financial debt / EBITDA whereas Net financial debt represents Loans and borrowings less Cash and cash equivalents.



and the Kilroot OCGT power plant in Northern Ireland, will boast our installed capacities by 800 MW and 700 MW, respectively, upon their scheduled completion in 2024. Additionally, we plan to commission another project in Ostiglia with a capacity of 880 MW in 2025. These gas-fired power plants, engineered to be hydrogen-ready, highly efficient, and environmentally friendly, offer flexibility in generation while maintaining low emissions. The anticipated CAPEX for all three projects upon completion exceeds EUR 1.1 billion.

Furthermore, we are increasingly directing our attention towards power storage, firmly believing in its pivotal role in the energy market transition. Currently, we are evaluating nine projects across Italy, France, the Netherlands, and the United Kingdom, with a combined storage capacity of 625 MW and a budgeted CAPEX exceeding EUR 700 million. These projects are in various stages of internal and external approval processes, with final investment decisions expected either this year or next.

### **Environmental Commitments**

At EPPE, our ultimate mission remains unchanged – to support a thoughtful and responsible energy transition in Europe while keeping in mind social responsibility towards our employees and regions in which we operate.

As such, we will continue to provide flexible and highly efficient zero or low-carbon power generation capacities to secure the stability of the electricity grid at a time when power from renewable sources is not available, and we will continue to invest in such power capacities.


Last year, EP Corporate Group, a.s., parent company of EPPE's sole shareholder Energetický a průmyslový holding, a.s., established a new company EP Energy Transition, a.s. ("EPETR") with the intention of concentrating energy transition assets at one place. In 2023, we took first steps by transferring share in LEAG Group to the new group. The other assets, mainly MIBRAG Energy Group, are to follow latest by the end of 2025. EPETR will focus on developing renewable energy projects with an estimated total installed capacity of 8 GW and will also concentrate on replacing the existing network-critical power generation capacities by hydrogen-ready power plants, while actively cooperating with relevant unions, regions, and governments to carry out the energy transition with minimum or no adverse social impacts. The total investment in these projects is currently estimated at around EUR 10 billion.

\*\*\*

To conclude, the results achieved in 2023 represent our continued effort to create and run a stable and resilient Group where we view the challenges we face as opportunities from which we can learn and use them to grow and strengthen the Group even further.

I want to sincerely extend my appreciation and gratitude to every member of our workforce for their dedication and tireless efforts. Our teams stand as the cornerstone and greatest asset of our Group. It is through their skills, expertise, and collective contributions that we have achieved success this year and in the past ones. As we move forward, we are steadfast in our commitment to executing our strategy and remain a reliable partner for countries, communities, and individuals alike.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Jan Špringl', written over the word 'Sincerely,'.

Jan Špringl

*Vice-Chairman of the Board of Directors and CEO*

## **1. COMBINED REVIEW OF OPERATIONS**

## 1.1 Major events in 2023

### *Acquisitions and disposals*

#### Acquisition of PZEM, Sloe power plant and Rijnmond power plant

On 25 January 2023, EPPE, via its subsidiary EP Netherlands (also “EP NL”), closed the acquisition of Sloe power plant with 870 MW installed capacity from ZEH N.V. and French electric utility company EDF S.A. In addition, on 5 January 2023, EP Netherlands acquired Rijnmond power plant with 800 MW installed capacity. Besides the power plant portfolio, EP Netherlands has also acquired PZEM Energy Company B.V. from ZEH N.V. which includes the ZBL pipeline (a 55 km gas pipeline supplying the Sloe Power Plant), trading business and B2B power and gas supply.

#### Acquisition of MaasStroom Power Plant and 50% stake in Enecogen

On 23 May 2023, EP Netherlands, subsidiary of EPPE, has successfully concluded an agreement with Castleton Commodities International LLC, securing the acquisition of two gas-fired power plants.

EP Netherlands has acquired full ownership of MaasStroom, a gas-fired power plant located in Rotterdam (Pernis) with an installed capacity of 426 MW. Additionally, EP NL has acquired a 50% stake in Enecogen, a gas-fired power plant situated in Rotterdam (Europoort) with an installed capacity of 910 MW. The remaining 50% stake in Enecogen will continue to be held by the Dutch energy company, Eneco N.V.

Strategic acquisitions on Dutch market during 2023 have enabled EP Netherlands to establish a portfolio comprising four highly efficient gas-fired power plants. With a cumulative capacity of 2.6 GW, EP NL now ranks as the third largest operator of power plants in the Netherlands.

#### Divestment of the LEAG group

On 27 December 2023, EPPE has completed the divestment of its 50% stake in the LEAG group. The parent company of the LEAG group is now the newly established company EP Energy Transition, a.s., which, like EPH with EPPE, is a subsidiary of the EP Corporate Group.

#### Decommissioning of coal units at Kilroot Power Station

On 30 September 2023, the decommissioning of coal units at Kilroot Power Station, Northern Ireland, was completed, marking a significant milestone in the transition to cleaner energy in Northern Ireland.

### *Selected events that occurred after the reporting date*

In February 2024, the Board of Directors decided to distribute an amount of profit of the year 2023 of EUR 1,479 million as dividend (EUR 12 572 per share). This dividend was settled against the interim dividend paid out during 2023.

On 29 February 2024, the Board of directors approved interim dividend in the amount of EUR 1,151 million to its shareholder. Full amount was offset with the outstanding receivable.

In March 2024, EP Centrale Ostiglia S.p.A. signed a new EUR 320 million project finance facility. This financing will cover costs incurred in relation to construction of a new 881 MW CCGT power plant in Italy.

On 24 March 2024, EP UK Investments Ltd, announced that the first of its new Open Cycle Gas Turbines (OCGTs) at Kilroot exported electricity to the Northern Ireland Transmissions System. It is an important step towards commitment of the Group to secure stable electricity supplies and help modernize Northern Ireland's energy network.

On 28 March 2024, the Group has ceased operations at Mehrum coal unit (690 MW) as part of its commitment to a sustainable future without coal. The decommissioning of this coal power plant

underscores the Group's commitment to transforming towards sustainable electricity production. On 9 April, EP Produzione, subsidiary of EPPE has successfully connected a new 800 MW combined cycle unit at the Tavazzano and Montanaso plant marking a pivotal step towards sustainable energy production.

Except for the matters described above and elsewhere in the Annual Report or Notes to the Consolidated Financial Statements, the Company's management is not aware of any other material subsequent events that could have a significant effect on the Consolidated Financial Statements as at and for the year ended 31 December 2023.

## 1.2 Business performance

### *Operational performance*

#### Performance of power generation assets

EPPE Group consolidates 12.9 GW of net installed power capacity in Germany, the UK, Ireland, France, Netherlands and Italy (10.9 GW in 2022). These assets generated 34.5 TWh of power (34.4 TWh in 2022). Production remained similar to 2022 as result of acquisition of Dutch entities, which compensated lower generation of other power plants in EPPE fleet.

KPI	Unit	2023	2022	2023-2022	%
<b>Net installed capacity - Electricity –</b>					
<b>Total</b>					
France	MW	837	837	–	–%
Netherlands	MW	2,585	–	2,585	–%
Germany	MW	1,658	1,628	30	2%
UK	MW	3,489	4,014	(525)	(13%)
Ireland	MW	384	384	–	–%
Italy	MW	3,989	3,989	–	–%
<b>Total</b>		<b>12,943</b>	<b>10,853</b>	<b>2,091</b>	<b>19%</b>

KPI	Unit	2023	2022	2023-2022	%
<b>Net power production – Total</b>					
France	TWh	0.8	1.5	(0.7)	(46%)
Netherlands <sup>4</sup>	TWh	7.4	–	7.4	–%
Germany	TWh	4.3	5.2	(0.9)	(17%)
UK	TWh	9.0	11.4	(2.4)	(21%)
Ireland	TWh	1.1	1.6	(0.5)	(32%)
Italy	TWh	12.0	14.7	(2.7)	(18%)
<b>Total</b>		<b>34.5</b>	<b>34.4</b>	<b>0.1</b>	<b>0%</b>

Further power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 0.8 GW of net installed power capacity (8.4 GW in 2022) and generated 1.3 TWh of power (46.2 TWh in 2022) which is proforma adjusted for LEAG production for the period it was owned by EPPE. The share of this is represented by Ergosud S.p.A. The decrease in net installed power capacity and generated power is due to the divestment of the LEAG group during 2023.

<sup>4</sup> EP Netherlands power production pro-forma adjusted as if acquired on 1 January 2023.

## *Sustainability performance*

As a key energy player, EPPE is aware of its role in the ongoing transformation of the energy system in Europe with the objective to limit the threat posed by climate changes. EPPE fully supports the resolutions passed by the Paris Climate Conference in 2015, committing all the countries involved to limiting the global temperature increase to significantly less than 2 degrees Celsius compared with the pre-industrial level.

To accomplish this strategy and to facilitate the transformation of coal regions in the most dedicated and efficient way, EPPE shareholder intends to separate energy transition assets from the EPH Group into EP Energy Transition group. This group will gradually consist of participations mainly in our German assets. LEAG group has already been separated during 2023 and MIBRAG Energy group will follow by the end of 2025. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 8 GW, replacement of existing network-critical power generation capacities by hydrogen-ready power plants and active cooperation with unions, regions, and governments to carry out the energy transition with minimum or no socially adverse impact.

Our decarbonization and energy transition plans and ongoing efforts are described below in the section *Emissions and environmental protection activities*.

### Emissions and environmental protection activities

EPPE Group produced 18 million tons of CO<sub>2</sub> emissions (19.4 million tons in 2022) with intensity of 518 ton CO<sub>2</sub> / GWh (559 ton CO<sub>2</sub> / GWh in 2022). The overall decrease in CO<sub>2</sub> emissions volume is primarily driven by lower production from hard coal and lignite (-24%), namely as a result of lower running of hard coal assets (Emile Huchet 6 and Mehrum) in 2023 which were put back into operation in 2022 at the behest of the German and French governments in order to ensure stability of the grid. In addition, lower production of the UK and Italy gas assets was caused by commodity prices softening in 2023. On the other hand, the decrease was offset by the acquisition of gas assets in the Netherlands in 2023.

KPI	Unit	2023	2022	2023-2022	%
<b>Direct GHG Emissions (Scope 1)</b>					
<b>EPPE Group</b>					
France	million tons CO <sub>2</sub> eq.	0.4	1.0	(0.6)	(59%)
Netherlands	million tons CO <sub>2</sub> eq.	2.7	–	2.7	–%
Germany	million tons CO <sub>2</sub> eq.	4.8	5.7	(0.9)	(15%)
UK	million tons CO <sub>2</sub> eq.	3.8	4.9	(1.1)	(22%)
Ireland	million tons CO <sub>2</sub> eq.	0.5	0.7	(0.2)	(31%)
Italy	million tons CO <sub>2</sub> eq.	5.8	7.2	(1.4)	(19%)
<b>Total</b>		<b>18.0</b>	<b>19.4</b>	<b>(1.4)</b>	<b>(7%)</b>
KPI	Unit	2023	2022	2023-2022	%
<b>Emission intensity - Including heat component</b>					
France	ton CO <sub>2</sub> eq./GWh	497	658	(161)	(24%)
Netherlands	ton CO <sub>2</sub> eq./GWh	368	–	368	–%
Germany	ton CO <sub>2</sub> eq./GWh	1,059	1,048	10	1%
UK	ton CO <sub>2</sub> eq./GWh	427	428	(2)	(0%)
Ireland	ton CO <sub>2</sub> eq./GWh	408	402	6	1%
Italy	ton CO <sub>2</sub> eq./GWh	484	487	(3)	(1%)
<b>Total</b>		<b>518</b>	<b>559</b>	<b>(41)</b>	<b>(7%)</b>

In 2023, the EPPE Group continued to be very active in the area of environmental protection and decarbonization of its operations. The companies within the EPPE Group continued to be operated in a manner ensuring their failure-free operation and high efficiency in producing electricity and heat, which has direct impact on the volume of produced emissions.

Several environmental regulations in Germany, France, Italy, the United Kingdom, and the European Union regulate the EPPE Group activities. These include regulations governing the discharge and emission of pollutants, the handling of hazardous substances and their disposal, cleaning of contaminated sites and health and safety of employees. For example, EPPE Group is subject to regulations that impose strict limits on emissions of carbon dioxide (CO<sub>2</sub>), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and solid dust particles emissions (SDP).

The EPPE Group will continue to maintain its compliance with these environmental legislative requirements and with the future requirements as well.

### **Environmental protection across the EPPE Group**

The ISO 14001 (certified Environmental Management System) certificate holders are Biomasse Crotone S.p.A., Biomasse Italia S.p.A., EP Ballylumford Limited, EP Kilroot Limited, EP Langage Limited, EP SHB Limited, EP Produzione S.p.A. (incl. its subsidiaries), Lynemouth Power Limited, Tynagh Energy Limited, Saale Energie GmbH, EP Power Minerals GmbH and MINERALplus GmbH.

The EPPE Group is an environmentally and socially responsible operator of its power plants. This is a result of an expansion of its fleet comprising renewable or non-coal sources and a gradual decommissioning of coal-fired power plants (e.g. Eggborough, Buschhaus, Provence 5 and Deuben) or their conversion into non-coal sources like was the case of coal-fired power plant Lynemouth which was converted into biomass-fired power plant in 2019.

During 2023 we continued in our investments into three hydrogen-ready gas-fired development projects under construction. Firstly, two hydrogen-ready Kilroot OCGT units (700 MW combined) in Northern Ireland, which will ensure a continuous transition towards lower carbon generation as well as protecting security and stability of supply for Northern Ireland, scheduled to stand-by as a capacity reserve to support the development of zero-emission power generation. It is envisaged that units will also be capable of using gas alternatives such as biogas and hydrogen as they become available to the market. Units should be commissioned in 2024. Secondly, the Tavazzano CCGT and Ostiglia CCGT projects located in Italy with planned installed capacity of 803 MW and 881 MW, respectively, are expected to be commissioned in 2024 and 2025, respectively. These highly-efficient gas-fired power plants will play an essential part in the system that ensures stability of the grid in Italy.

Thorough 2023, the EPPE Group further invested also into modernization of its fleet which contributed to environmentally and socially responsible way of decarbonization, while keeping in mind security of energy supply in the regions where the EPPE Group operates. As a result, the EPPE Group saves energy, avoids network losses, and improves the security of Europe's internal energy supply while remaining environmentally and socially cautious.

A good example of a project increasing efficiency on one side and reducing emissions on the other side is adoption of a state-of-the-art technology, a Siemens Advanced Turbine Efficiency Upgrade ("ATEP") by some of our gas plants in Netherlands, acquired in 2023. Sloe Centrale signed a contract in 2023 for the implementation and once implemented, the ATEP-investment will position the plant as one of the most efficient gas-fired power plants in the region. The upgrade will contribute to lower fuel consumption and annual reduction of 30,000 tonnes of CO<sub>2</sub>. The Enecogen power plant (50% owned by EPNL) has finished the same upgrade at their site in August 2023.

In France dismantling continues. During 2023, three cooling towers were demolished (one in Lucy and two in Emile Huchet sites), the same amounts of stacks were dismantled at these sites. Another cooling tower in Emile Huchet was blasted in early February 2024. All the concrete resulting from demolition was recycled. Similarly, a project of the wind park repowering on two sites of Ambon and Muzillac goes well. Foundations were crushed, and the material used for road basements. Blades of former wind turbines were dismantled so that they can be reused as spare parts or as RDF (refuse derived fuel; since the resin used with the fiberglass has some calorific value). Metallic parts are 100% recycled. The



repowering itself represents an investment of EUR 35 million and will be finished in 2024, adding some 26 MW of installed capacity.

In Italy during 2023, in light of the ongoing decline in market power prices and challenges regarding biomass supplies, a “flexible approach” to plant running, which is very difficult to apply for biomass plants, was defined and adopted in Biomasse Italia and Biomasse Crotone as an operating strategy with the goals of:

- minimizing the impact of any extremely low power prices (which makes the running out of money) and increasing margin through increasing load up to max level should market price keep covering properly the underlying cost structure;
- optimizing the consumption of biomass, so trying to burn it with the highest marginality and save it whereas it showed negative or next to zero.

EP NL is expanding its other activities by taking over the Balancing Services Agreement and the Power Off-take Agreement with the Gemini Wind Park. This means that EP NL is the buyer of the renewable energy generated by Gemini and that EP NL is responsible for balancing the park's production. The Gemini Wind Park, located in the Dutch North Sea, is one of the world's largest wind parks and is a crucial element in the renewable energy infrastructure.

Contrary to the new projects we were required to operate also two hard coal power plants set for decommissioning before:

- The French Emile Huchet 6 was asked to operate again after previous decommissioning decision to ensure grid stability in connection with European energy crisis in 2022. The French Government asked Gazel Energie to prepare the restart of Emile Huchet 6, by re-hiring employees, performing maintenance works and securing coal supply. The restart of Emile Huchet 6 was included by the Government in the Buying Power Law during the summer 2022 and the decree was published on the 15 September 2022. The decree contained the possibility for EH6 to run 3,000 hours during the winter 2022/2023 and 1,500 hours during the 2023/2024 winter. It also includes the obligation for Gazel Energie to offset CO<sub>2</sub> emissions through the voluntary carbon market, in addition to ETS obligations. Current French situation requires prolongation of EH6 operation up to March 2025. However, the aim is to innovate the fuel mix to make it more sustainable (pellets co-burning).
- Similar situation occurred in Germany with Mehrum power plant. This grid reserve power plant had to temporarily participate in the electricity market until the end of March 2024. At Kraftwerk Mehrum, management and staff succeeded in mastering the very special challenges connected to the power plant restart. However, due to its specific location where a grid stability is a significant topic there is an initial plan to build a gas-fired plant on this site to replace the current role of the hard coal power plant. Also, this project shall be hydrogen-ready.

In Germany, EP New Energies (EPNE), the EPPE group owned renewables developer, continued to work on several photovoltaic and wind projects in Germany (approximately 8 GW in the pipeline).

MIBRAG, which is active in Germany, is also undergoing gradual transformation which is described below in several ongoing projects.

MIBRAG is active in establishing photovoltaic (PV) and wind projects mostly in areas that either already have been reclaimed or are currently under reclamation. MIBRAG built a PV power plant with a capacity of ca. 37 MWp on a reclaimed area of United Schleenhain mine. The construction work started in October 2022 and was finished in Q3 2023. The next PV power plant with a capacity of ca. 43 MWp will be built next to the 37 MWp project. It is planned to finish the installation in the second half of 2024. The electricity generated by both PV plants is used for own consumption. There is a range of other renewable projects in the pipeline prepared in cooperation with EPNE, some of them with the construction start scheduled in 2024.

MIBRAG is also preparing to participate in the tender for the construction of H<sub>2</sub> hybrid power plants at the Profen and Buschhaus sites based on PV power plants / wind turbines currently under construction or planned and the to-be-planned electrolysis plants each including a hydrogen storage and reconversion unit. Besides that, there is a number of projects connected to green district heating. Conversion of heat supply in the supply area of Fernwärme GmbH Hohenmölsen-Webau to a CO<sub>2</sub>-free basis represents a key element in MIBRAG's transformation process from a lignite mining company to an energy service provider based on sustainable use of renewable energies. This is connected to the earlier launched and finished project to run a 32-meter-long wood dryer. The wood chips shall be co-burnt at Wühlitz power plant to substitute part of the burned lignite.

Moreover, in 2023, MIBRAG planted over 162,500 trees. These were spread over approximately 87 hectares. The tree planting is always complemented by a variety of supporting shrub species, which help to structure forest and plantation edges and provide additional biodiversity. To facilitate the growth of deep root systems and increase the trees' long-term vitality, the seedlings are only watered in exceptional cases. In the first years after planting, measures are taken to keep the trees free of competition from grasses and protect them against damage by deer. Care measures for the trees are carried out for at least 15 years, at which point they are integrated into the general forest management activities.

Gazel Energie Group in France and EP UK Investments Group in the UK further evolved their business with secondary products (ashes). The various potential applications of ashes will have different GHG emission savings associated with them. Additionally, EP Power Minerals, a European leader in the provision of power plant by-products (especially fly ash and FGD gypsum) and expendable blasting abrasives, helps its clients to reduce carbon footprint. In particular, fly ash serves as a highly ecological and cost-effective substitute for clinker in cement production (up to 30 %). Fly ash significantly reduces the CO<sub>2</sub> footprint as the production of 1 metric ton of clinker generates about 0.8 metric tons of CO<sub>2</sub>. Moreover, EP Power Grit group specializes in abrasives and industrial minerals based on slags, minerals, glass and other raw materials. With extensive expertise this group help customers in achieving perfect surface properties and preparing surfaces effectively.

Water quantity available and quality is also under constant attention in all EPPE's assets. For example, namely in Italy we faced risks connected to water scarcity as some of our plants rely on water cooling. With this regard, EP Produzione started to study the implementation of hybrid cooling water for its units in Tavazzano. This equipment will reduce the dependence on water during the period of scarcity. Another feasibility study refers to the Ostiglia power plant in which the cooling water for the old units is taken from Po river. However, currently, its level does not allow water withdrawal. To overcome this issue, the engineers are studying a pumping system that locally raises the water height until the required level of the cooling system. The Ostiglia New H-class unit is instead equipped with an air-cooling condenser that drastically reduces the dependence on water availability. MIBRAG is aware of its great responsibility to keep negative ecological and hydrological impacts to a possible minimum and has been able to decrease overall water consumption by 7 million cubic meters to a total of 75 million cubic meters since last year. Regarding the water quality, Livorno Ferraris power station (Italy) is improving the biological waste-water treatment plant. In France, water treatment plant in Emile Huchet is assessed and the aim is reduction of the industrial water chemical content and at reuse water quantities in the process in a way that the water external demand is reduced.

Another interesting project shows that a lot can already be won by making our colleagues aware of how they can play an important role in becoming more sustainable. Sloe Centrale started the private lease project for electric cars in 2018. Sloe Centrale and EPPE wants to reduce their ecological footprint. To do so, we seek smart solutions in order to reduce our gas usage and CO<sub>2</sub> emissions. As Sloe Centrale is located in a somewhat remote area with no public transportation, most people use a car to go to work and one employee suggested to promote the use of electric cars. With the project every employee has the option to privately lease an electric car at relatively low costs. In February 2024, 16 new full electric cars (with EP NL logo) was delivered. So, 33% of our staff drives emission-free, not only to work but also for private kilometres.

We also remain active to promote safety at our sites. For example, the “7 Traps” is EP Produzione's safety campaign started already in 2016 that, by describing seven potentially dangerous situations that

can occur in the workplace, aims to emphasize the need to maintain a high level of attention and control at all times and achieve maximum employee and contractor involvement.

Besides safety there is a range of projects connected to employees, from recruiting, through talent retention to their skills development realised across whole Group.

#### Environmental, Social and Governance matters

Throughout 2023, EPPE continued to focus on its performance in the environmental, social and governance matters, acknowledging its responsibility for the environment, employees, communities, and all other stakeholders.

Operating some of key power generation assets in Europe, EPPE remains committed to contributing to energy security in the regions where it operates by providing reliable supplies of key commodities to end consumers. Safeguarding stable supplies of natural gas also plays a vital role in the energy transition in Europe as EPPE views natural gas as a potential low-emission bridging fuel for base load power generation to complement intermittent renewable generation sources.

#### **ESG policies**

ESG policies are implemented across the EPPE Group entities. These policies reflect our consciousness of immense responsibility for ESG issues by the EPPE Group. The policies aligned the already existing local principles with a common and comprehensive set of unified principles and detailed guidelines for our daily activities.

These policies are:

- ESG Master Policy
- Environmental Policy
- Operational Policy
- Code of Conduct
- Procurement Policy
- Tax Governance Policy
- Anti-Corruption and Anti-Bribery Policy
- Anti-Financial Crime Policy
- Sanctions Policy
- Anti-Trust Law Policy
- KYC Directive
- Bio-Diversity Policy
- Policy on Reporting of Serious Concerns
- Asset Integrity Policy
- Equality, Diversity, and Inclusion Policy
- Cybersecurity Principles

To provide for and secure full transparency EPPE published its policies on its webs, so these are easily accessible to all stakeholders.

#### Health, Safety and Environmental Committee (“HSE Committee”)

EPH has a dedicated HSE Committee in place (serves also for the EPPE Group) which is tasked with the following activities:

- a. Provide the Board of Directors with a view on the adequacy and effectiveness of the EPPE Group safety, health, environment and security management systems and their application;

- b. Review and provide guidance on safety, health, environment and security strategies, policies and initiatives of the EPPE Group;
- c. Make recommendations to the Board of Directors and refer key safety, health, environment and security decisions to the Board of Directors for approval;
- d. Monitor the safety, health, environment and security performance (including contractors) against regulatory standards and targets set by the Board of Directors;
- e. Review all major incidents, focusing particularly on those arising from operational issues.

The HSE Committees represent key bodies safeguarding that the EPPE Group act in line with the adopted ESG policies.

#### Employment relations and employees

The main strengths and key focus of the EPPE Group is good relationship with employees and their loyalty. The EPPE Group maintain good and fair relations with the trade unions within the entities of EPPE Group through regular meetings and discussions on labour, social and wage related issues. Similarly, respecting the human rights and implemented non-discriminatory guidelines are viewed as essential for securing employee-friendly working environment across the EPPE Group. Safety and quality management covers health protection at work, safety management system, technology, and human resources all of which are an integral part of the management of the EPPE Group.

EPPE Group upholds internationally recognised principles of good labour practice as well as all principles of the United Nations Global Compact in respect of Human rights, labour, environment and anticorruption and encourages its business partners to endorse the same commitment as specified in detail in EPPE Group Procurement policy.

The management believes that the EPPE Group, its companies and equipment comply with all legislative requirements and best practice methods. Moreover, they are constantly striving to improve the safety level of the Group's activities by introducing measures focused on risk assessment, elimination, mitigation, and prevention. EPPE Group also provides general training programs on employee safety and when selecting or assessing potential suppliers, the EPPE Group also considers their approach and attitude towards security issues.

EPPE employees are interested in overall EPPE economic performance. As internal stakeholders, they are engaged in business issues at the local level, being especially interested in the performance of the subsidiary they work for.

An average number of employees in EPPE Group during 2023 was 4,365 (3,857 in 2022). Male employees covered for 82% of EPPE Group employees, slightly lower share compared with 2022 (83%).

KPI	Unit	2023	2022	2023-2022	%
<b>Headcount</b>					
Czech Republic	#	185	130	55	43%
Netherlands	#	258	–	258	–%
France	#	426	394	32	8%
Germany	#	2,260	2,167	94	4%
UK	#	583	554	29	5%
Ireland	#	4	7	(3)	(43%)
Poland	#	6	–	6	–%
Switzerland	#	39	16	23	144%
Italy	#	604	590	14	2%
<b>Total</b>		<b>4,365</b>	<b>3,857</b>	<b>508</b>	<b>13%</b>

#### Corruption and breaches

EPPE maintains consistently high standards in ethics throughout its operations and supply chain and does not tolerate corruption at any level. Any breaches of this could result in major and serious reputational damage to the EPPE Group. In line with EPPE Group KYC Directive compliance requirements are factored into all decisions when entering business relations with suppliers or business

partners. While these principles were adhered to in the past, their importance is increasing in today's environment and as such, EPPE has decided to formalise those into an overall policy applicable across the EPPE, including all subsidiaries.

EPPE always strives to operate all its facilities safely and in compliance with licensing regulations. The compliance with such systems is ensured with regular on-site checks. In addition, the Company regularly undertake analyses and evaluations of environmental issues to assess their relevance for its companies. The focus of our internal compliance management is to raise the level of awareness among its employees to prevent any possible breaches.

#### Internal Control System

The EPPE Group has taken reasonable steps to establish and maintain adequate procedures, systems, and controls to enable it to comply with its legal, regulatory, and contractual obligations, including regarding financial reporting, which it periodically evaluates. To provide employees with the unified means of reporting compliance concerns and compliance violations without fear of retaliation or retribution and to set out the way in which any serious concerns that they have may be raised and how these concerns are dealt with, the EPPE adopted a Policy on Reporting of Serious Concerns. Similarly, also all our business partners are encouraged to raise concerns about any issue relating to EPPE or suspicion of violation of the EPPE Group Policies at the earliest possible stage.

The EPPE Group does not have integrated information systems and each subsidiary has its own accounting platform and accounting methodologies. The subsidiaries prepare separate financial statements under the applicable local accounting standards for statutory purposes and part of the IFRS financial statements consolidation process is manual. In 2023, the EPPE Group largely implemented a EPPE Group-wide reporting system aimed at limiting the amount of required manual intervention.

Each subsidiary has its own system of internal controls that is designed to manage risk and diminish the occurrence of fraud at each entity based on the subsidiary's size and nature of its business.

### *Financial performance*

EPPE achieved impressive financial results for 2023 Results reflect positive market development on the revenue side, new business strategies as well as cautious approach towards expenses and risks.

#### Revenues

Total revenues reached EUR 20,467 million (EUR 33,608 million in 2022). The decrease is attributable primarily to Flexible power generation segment which decreased by EUR 12,753 million, or 40%, mostly as an effect of a decrease in commodity prices over 2023 and as a result, the most significant effect was recorded by trading and supply companies but also by production entities in Italy, France, Germany and the UK. This was partially offset by newly acquired Dutch operations. Renewable Energy segment decreased by EUR 344 million, or 33%, primarily due to lower power prices affecting the UK and Italian biomass power plants.

External Revenues	Unit	2023	2022	2023-2022	%
Flexible Power Generation		19,513	32,266	(12,753)	(40%)
Renewable Energy		706	1,050	(344)	(33%)
EPPE Other		248	292	(44)	(15%)
<b>Total</b>		<b>20,467</b>	<b>33,608</b>	<b>(13,141)</b>	<b>(39%)</b>

#### Underlying EBITDA

Underlying EBITDA reached EUR 2,368 million (EUR 2,918 million in 2022). Flexible Power Generation segment decreased by EUR 366 million, or 15%, with decrease in commodity prices driven primarily by an exceptional result of trading business in 2022 driven by high commodity prices in all European countries caused by market environment, and returning back to more standardized levels in 2023. In addition, commodity prices were decreasing over 2023. This was partly mitigated by hedges placed for 2023 and by the newly acquired Dutch operations. Renewable Energy segment decreased by EUR 92 million, or 25%, which relates mostly to Italian fleet of biomass power plants due to a drop in power prices. EPPE Other segment decreased by EUR 93 million, or 100%, which relates also to a drop in power prices resulting in lower lignite exploitation.

Underlying EBITDA	Unit	2023	2022	2023-2022	%
Flexible Power Generation		2,085	2,451	(366)	(15%)
Renewable Energy		284	375	(91)	(24%)
EPPE Other		(1)	92	(93)	(101%)
<b>Total</b>		<b>2,368</b>	<b>2,918</b>	<b>(550)</b>	<b>(19%)</b>

#### CAPEX

CAPEX reached EUR 631 million (EUR 555 million in 2022). The high level of CAPEX in Flexible Power Generation segment is largely due to continuing construction of 3 major development projects, namely Kilroot OCGT in Northern Ireland, Tavazzano CCGT and Ostiglia CCGT both in Italy, which represents together over EUR 346 million. Other part of CAPEX represents mainly major overhauls of Italian power plants. On the other hand, a decrease in Renewable Energy segment is driven by a major overhaul in 2022 of the UK biomass power plant.

CAPEX	Unit	2023	2022	2023-2022	%
Flexible Power Generation		534	467	67	14%
Renewable Energy		28	58	(30)	(52%)
EPPE Other		69	30	39	130%
<b>Total</b>		<b>631</b>	<b>555</b>	<b>76</b>	<b>14%</b>

#### Net financial debt, Leverage and Cash conversion (excl. loans and borrowings provided by EPH)

The EPPE Group's financial health is strong due to its conservative funding strategy and low leverage. Net financial debt stood at EUR 1,138 million at the end of 2023 (EUR 206 million in 2022). Excluding debt of EUR 2,040 million (EUR 1,087 million in 2022) provided by the parent company of EPPE, the net financial debt stood at EUR (902) million (EUR (881) million in 2022).

Net leverage (excluding debts to parent company) stood at (0.4)x in 2023 as compared to (0.3)x in 2022. The total Net leverage (including debt to parent company) increased to 0.5x (from 0.1x in 2022).

Net financial debt and Leverage	Unit	2023	2022	2023-2022	%
Loans and borrowings	million EUR	2,417	1,449	968	67%
<i>out of which: loans and borrowings provided by EPH</i>		<i>2,040</i>	<i>1,087</i>	<i>217</i>	<i>20%</i>
Less Cash and cash equivalents		1,279	1,243	36	3%
<b>Net financial debt</b>		<b>1,138</b>	<b>206</b>	<b>932</b>	<b>452%</b>
<b>Net financial debt (excl. loans and borrowings provided by EPH)</b>		<b>(902)</b>	<b>(881)</b>	<b>(21)</b>	<b>2%</b>
Underlying EBITDA		2,368	2,918	(550)	(19%)
<b>Net leverage</b>	<b>x</b>	<b>0.5x</b>	<b>0.1x</b>	<b>0.4x</b>	<b>—</b>
<b>Net leverage (excl. loans and borrowings provided by EPH)</b>	<b>x</b>	<b>(0.4)x</b>	<b>(0.3)x</b>	<b>(0.1)x</b>	<b>—</b>

Cash conversion was 46.07% (75.09% in 2022). A drop is driven by continuing high investments in development projects, tax payments in 2023 for exceptional year 2022 and also due to lower result in 2023 caused by softening and lower volatility of commodity prices over 2023.

Cash conversion	Unit	2023	2022	2023-2022	%
Underlying EBITDA	million EUR	2,368	2,918	(550)	(19%)
CAPEX		(631)	(555)	(76)	14%
Tax paid		(646)	(172)	(474)	276%
FCF		1,091	2,191	(1,100)	(50%)
<b>Cash conversion</b>	<b>%</b>	<b>46.07%</b>	<b>75.09%</b>	<b>(29.01%)</b>	<b>—</b>

The part of CAPEX consists of development CAPEX, which is related to development projects focused mainly on the support of grid stability and reliable supply of power. Most of these expenditures represent constructions of gas turbine power plants in Northern Island and Italy mentioned in the previous chapter. Development CAPEX of EPPE Group reached EUR 382 million (EUR 325 million in 2022). Then free cash flow excluding development CAPEX in 2023 is EUR 1,473 million (EUR 2,516 million in 2022), which makes cash conversion of 62.20% (86.22% respectively).

### 1.3 Other Information

#### *Description of the diversity policy applied to the statutory body, supervisory body or other similar body*

The Company is committed to encouraging equality, diversity, and inclusion among its workforce, and eliminating unlawful discrimination, in line with the ILO Convention No. 111 on discrimination. The aim is for our employees to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best. We strive to ensure that our employees feel supported and comfortable at work as we recognise that our staff are our greatest asset. We aim to attract and retain people with diverse skills, experience, and background to deliver high-quality products and services. These commitments are articulated by the EPPE Group Equality, Diversity and Inclusion policy and apply in full to the process of selecting suitable candidates for the position of the member of Company's statutory and supervisory body.

#### *Rights and obligations associated with shares*

Act No. 90/2012 Coll., Commercial Companies, as amended, and the Company's Articles of Association govern the rights and obligations associated with the Company's shares. The current version of Articles of Association is placed into the collection of documents of the Commercial Register maintained by the Municipal Court in Prague.

#### *Branches*

The EPPE Group has the following organizational units abroad:

- EP COMMODITIES A.S. LONDON BRANCH located in the United Kingdom;
- EP Commodities, a.s., Prag, Zweigniederlassung Zug located in Switzerland;

#### *Research and development activities*

In 2023, the EPPE Group did not carry out any significant research and development activities and as a result did not incur any material research and development costs.

#### *Acquisition of own shares or own ownership interests*

During the 2023, EPPE Group did not acquire any own shares or ownership interests within the EPPE Group.

#### *Risks and risk management policies*

The EPPE Group is exposed to a variety of financial and market risks. The risk management policies are set out in the notes to the consolidated financial statements.

#### *Sustainability report*

In July 2023, EPH issued its fifth Sustainability report covering year 2022 where EPPE Group has been included. EPH plans to issue its Sustainability report for 2023 during Q2 2024, EPPE Group will be included. The Sustainability report covers a wide spectrum of economic, environmental, social and governance related topics and enables report users to obtain a comprehensive understanding of the EPH Group's business and the links between EPH's strategy and commitment to a sustainable global economy, which has direct impact on EPPE Group.

#### *Outlook for 2024*

EPPE Group expects to continue being key participant on European power market, where our top priority remains the same: guaranteeing the health, safety and well-being of the Group's employees, and safeguarding of the essential power grid security in countries where the Group operates. The Group management plans to continue developing its central business activities in the EPPE Group.



EPPE Group believes its medium- to long-term market position stays resilient, primarily as i) the EPPE Group operates the critical infrastructure in power generation, and ii) part of operated assets are regulated or semi-regulated and/or long-term contracted with high quality counterparties. At the same time, EPPE Group maintains robust counterparty and liquidity risk management system which underpins EPPE Group's financial stability. The Group expects to continue in developing its current business while concentrating on own development and acquisitions to access new markets.

## **1.4 Market development**

### *Macroeconomic developments*

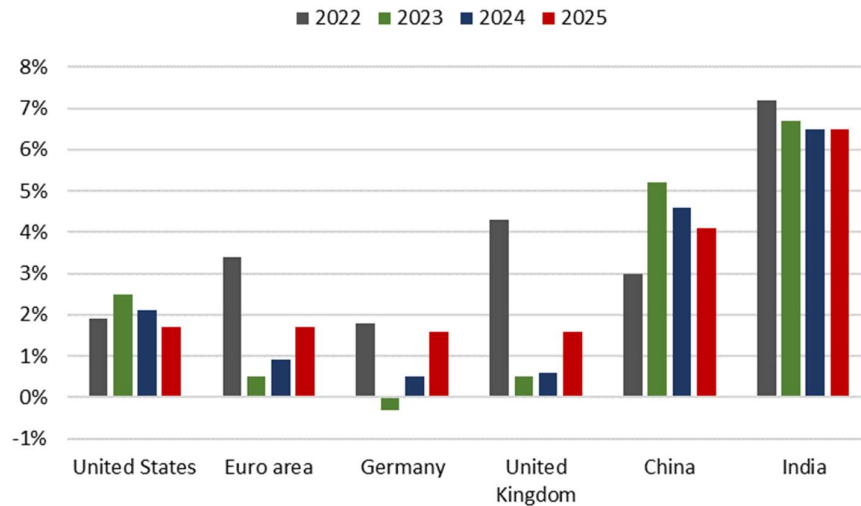
Global economic growth in 2023 slowed owing to the lagged effects of tighter monetary policy, high inflation rates, and the cost-of-living crisis that followed Russia's invasion of Ukraine. The IMF in its January 2024 World Economic Outlook Update pegged global economic growth at 3.1% in 2023 compared to 3.5% in 2022.

The stabilisation of energy prices following the shock of 2022 contributed to a slowdown in inflation, with the IMF pegging global headline inflation rates at 6.8% in 2023 compared to 9.2% in 2022. The normalisation of gas and power prices in Europe was achieved on the back of significant demand destruction paired with growing global LNG exports and stable pipeline supply from countries such as Norway, Algeria, and Azerbaijan as well as growing non-thermal power generation in Europe. As a result, TTF day-ahead prices declined from an average of 121 EUR/MWh in 2022 to 41 EUR/MWh in 2023 - still significantly higher than the 2015-2019 (pre-Covid and pre-energy crisis) average of around 18 EUR/MWh.

Structurally higher energy prices continued to weigh on manufacturing powerhouses such as Germany with energy intensive industries being confronted with higher costs and lower margins. This contrasted with the more pronounced recovery in service-oriented economies within Europe such as France and Spain, which benefitted from strong demand for services and tourism. The United States meanwhile showed resilient consumption and investment throughout last year. As a result, economic trajectories across countries and regions are likely to differ significantly in 2024.

China's growth momentum is slowing on the back of the persistent global manufacturing slowdown and continued weakness in its property sector, with the IMF pegging economic growth at 5.2% in 2023 and projecting a decline to 4.6% in 2024. Country Garden, China's largest property developer, is facing severe liquidity stress while the weak real estate sector is undermining home buyer confidence and prolonging the property sector downturn. The IMF highlights that China remains at risk of a significant real estate crisis with potential ramifications for global economic growth if real estate prices decline rapidly.

### IMF growth projections



Source: IMF, World Economic Outlook, January 2024 Update

Commodity markets will continue to play a significant role in shaping global economic growth this year. While gas and power prices continued to decline towards historical levels at the beginning of 2024 (TTF prices averaged 30 EUR/MWh in January), gas markets remain finely balanced with any major LNG or production outage having the potential to cause a significant spike in gas and power prices. Such spikes can again fuel inflationary pressures in the economy while weighing on industrial output and aggregate consumption.

Economic trajectories in 2024 and 2025 will likely differ significantly across countries and regions. Advanced economies, particularly manufacturing intensive ones such as Germany, will continue to face structural challenges to economic growth over the coming year, with the IMF forecasting that advanced economies will grow by a mere 1.5% in 2024. This is in stark contrast to relatively robust economic growth from emerging markets and developing economies, which the IMF pegs at 4.1% in 2024.

#### *Energy market developments*

##### Latest developments

European gas prices in the first months of 2024 continued their downward trajectory amid high storage levels, soft demand, and robust supply from LNG and Norway. TTF front-month prices fell to a new low around 23 EUR/MWh on 22 February compared to 48 EUR/MWh at the same time the previous year.

The firm downtrend followed a sharp price rise in October 2023 after the eruption of the conflict between Israel and Hamas. Prices quickly rose to the top of the coal-to-gas fuel-switching range at around 55 EUR/MWh with the market fearing LNG supply disruptions from Egypt and, in a worst-case, Qatar.

Concerns waned in November as Israeli gas production normalised following the temporary shutdown of the Tamar gas field, with Egypt soon resuming LNG exports. At the same time, it became apparent the conflict would not imminently escalate to a direct confrontation between Israel and Iran, in turn reducing risks to Qatari supply despite attacks from Houthi militants on commercial ships in the Bab al-Mandeb Strait.

Despite the conflict in the Middle East, European LNG imports throughout winter 2023 were stable year-on-year (y/y), with EU27 and UK LNG receipts in the fourth quarter of 2023 amounting to 21 Mt (29 bcm) compared to 22 Mt (30 bcm) in 2022. LNG flows in January were also flat y/y, coming in at around 10 Mt (14 bcm), alleviating fears over potential supply disruptions due to freeze offs in the United States as well as Houthi missile attacks in the Red Sea. Meanwhile, Norwegian pipeline flows in the fourth quarter of 2023 came in 1 bcm higher y/y at 29 bcm, further contributing to a stable gas supply situation for Europe.

Signs of sticky demand destruction amplified bearish pressure on TTF prices as the winter season progressed. While gas demand in northwest Europe (Germany, France, Belgium, the Netherlands, UK) and Italy between October 2023 and January 2024 rose by 2% y/y, it remained 16% below the 2018-2022 average despite temperatures rising 4% above the average for the same period.

The stickiness of European gas demand destruction allowed Europe to maintain healthy storage levels throughout winter, with EU storage around 73% full at the end of January 2024 and 62% at the end of February 2024, opening up further significant downside to prices.

As a result, prices came off their October highs to trade around the 40-45 EUR/MWh range in November before derisking further to 30 EUR/MWh by end-December 2023 and dropping further into the high 20s EUR/MWh in early and mid-January 2024.

#### TTF spot and forward prices over Win-23 and Apr-24



Source: EEX, ICE, EPC UK

Prices rebounded slightly towards the end of January, with the Mar-24 contract breaching through the 30 EUR/MWh mark as news emerged on 26 January that the 15 Mtpa Freeport LNG site would have to carry out urgent maintenance on one of its three trains, necessitating the train's shut down for approximately one month. Paired with colder weather runs and news of a 1 GW coal-plant shutdown in Japan following an explosion meant that TTF prices lost some of their bearish momentum. But continued loose fundamentals together with a significant mild spell in February meant that prices subsequently continued their downward trajectory.

Falling EUA prices contributed to the softness across the wider energy complex. Prices for the Dec-24 EUA contract fell from around 80 EUR/t at the end of 2023 to a low of 62 EUR/t in January 2024, in turn shifting coal-to-gas fuel-switching prices lower and opening more downside for European gas prices. Towards mid-February, a strong correlation between EUA and TTF price movements emerged, which lent support for TTF prices.

After reaching a new low on 23 February of 51 EUR/t, EUA prices sharply rebounded to reach a high of almost 59 EUR/t on 28 February, in turn also causing front-month TTF prices to rise from the lows of 23 EUR/MWh on 23 February to a high of around 26 EUR/MWh on 28 February.

The rebound in both EUAs and TTF also coincided with a significant rise in API2 coal prices. Front-month API2 contract prices rose from 96 USD/t on 22 February to 107 USD/t on 1 March following an announcement on 23 February that the US has placed Russian coal supplier SUEK on its sanctions list.

TTF prices rose further in March 2024 going into April following the announcement of further maintenance on two of Freeport LNG's trains until at least May. Upward momentum was accelerated following the repeated targeting of Ukrainian energy infrastructure in Russian airstrikes, notably including underground gas storage sites, which highlighted the fragility of Russian gas flows via Ukraine. As a result, the TTF May-24 contract rebounded to 29 EUR/MWh on 11 April 2024.

Fundamentally, European gas prices will likely remain anchored to the coal-to-gas fuel-switching range as long as fuel switching will be sufficient to balance fluctuations in Europe's supply, meaning that EUA price movements can continue to have a significant impact on TTF prices.

European gas and power markets remain finely balanced and hence prone to significant volatility until 2026, when sizeable LNG liquefaction capacity expansions are commissioned. Any major LNG or upstream production outage affecting European supply can therefore quickly send prices towards the top of the coal-to-gas fuel-switching range – or potentially above it – depending on the magnitude of the event.

While Russian pipeline flows to Europe make up a much smaller share of total European supply, a possible halt of Ukrainian transit flows at the end of 2024 could provide some structural support to TTF prices next year and further amplify price volatility as Europe's exposure to all elements of the global gas balance grows. Conversely, continued flows via Ukraine could open further downside for prices in 2025.

European power prices also maintained a bearish trajectory through early 2024, before somewhat rebounding. German spot prices for February around 60 EUR/MWh are the lowest monthly levels since early 2021, although wider energy complex strength has lifted deliveries since. In neighbouring France, persistent demand weakness alongside robust nuclear and hydropower availability have limited the space for thermal generation and seen wholesale prices disconnect from these trends, with March delivering closer to 50 EUR/MWh and April prices on track to collapse closer to 20 EUR/MWh.

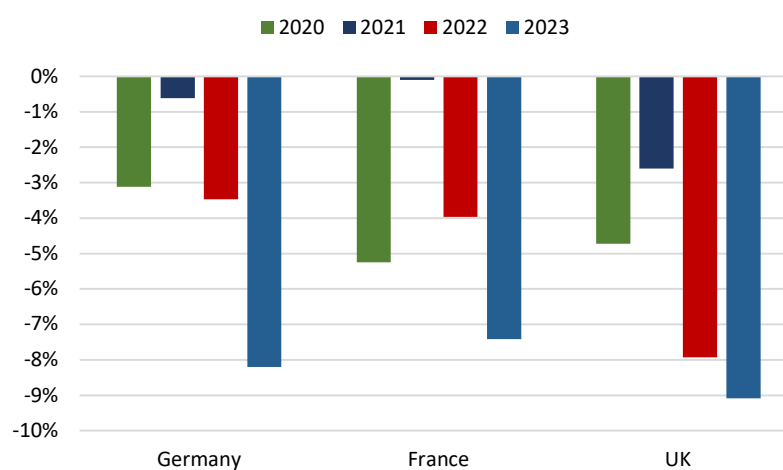
French incumbent utility EDF has proceeded with a renewed programme of nuclear controls and repairs without major incident since discovering new stress-corrosion issues during the first quarter of 2023. In late December 2023, EDF announced limited nuclear outage extensions at a select group of reactors without changing its nuclear output targets for 2024 or 2025. In late February, EDF cleared Gravelines 2 and Dampierre 3, although this year the utility still expects to extend around four existing outages by an average of one month due to corrosion issues.

EDF was forced to delay the commencement of fuel loading for the new Flamanville 3 French nuclear reactor, scheduled for March 2024 at the start of the year. A public consultation will conclude in mid-April, after which regulator ASN believes it will be able to authorise commissioning. EDF still believes the reactors ramp up can begin this summer. Across the channel, EDF has pushed back commissioning of the Hinkley Point C nuclear plant by up to four years from its latest target of mid-2027, blaming inflation, Covid, and Brexit disruptions for the delay.

## Power consumption

Global electricity demand growth slowed again in 2023, amid inflation and economic woes, and as surging wholesale prices in the wake of Russia's 2022 invasion of Ukraine fed through into consumer bills, spurring a behavioural response. In July of 2023, the International Energy Agency (IEA) revised down its annual global demand growth forecast to 1.9%, below 2022's 2.3% and the 2015-2019 average of 2.4%. The transport and heating sectors did continue to expand, and growth in developing economies outstripped the global average. Advanced economies continued to struggle however, including major European power markets.

**Changes in power demand relative to 2019**



Source: IEA, ODRE, GOV.UK

Power consumption in Germany, France, and UK fell by up to 5% in 2023, after drops in the latter part of 2022 carried over for the full year. This has been partly caused by a lagged response of consumer bills to surging wholesale prices in the wake of Russia's invasion of Ukraine, as well as government energy saving measures and potentially permanent industrial demand destruction. British electricity demand has also generally been declining amid energy efficiency improvements and economic disruptions pre-dating the pandemic, and so recorded a larger drop in 2023 relative to 2019 than France or Germany.

## Power production

Structurally weak power consumption, continued growth in renewable production, and a recovery in nuclear and hydro production caused a significant drop in EU-27 fossil-fuel generation through 2023, which fell 23% y/y to set a multi-decade low of 681 TWh.

The limited space for thermal generation in the power sector in turn helped to stabilise European gas markets, in stark contrast to 2022 where heavily constrained nuclear and hydro generation supported gas-fired generation despite record-high fuel prices. The improved EU supply-demand balance allowed gas prices to fall steadily through the summer months towards the bottom of the hard-coal-to-gas fuel-switching range, pushing gas dispatch ahead of coal in the merit order.

While gas generation recorded the largest y/y decline in absolute terms through 2023 (down 81.1 TWh), its share of the overall thermal mix increased at the expense of both hard coal and lignite given the more dynamic fuel-switch environment compared with 2022.

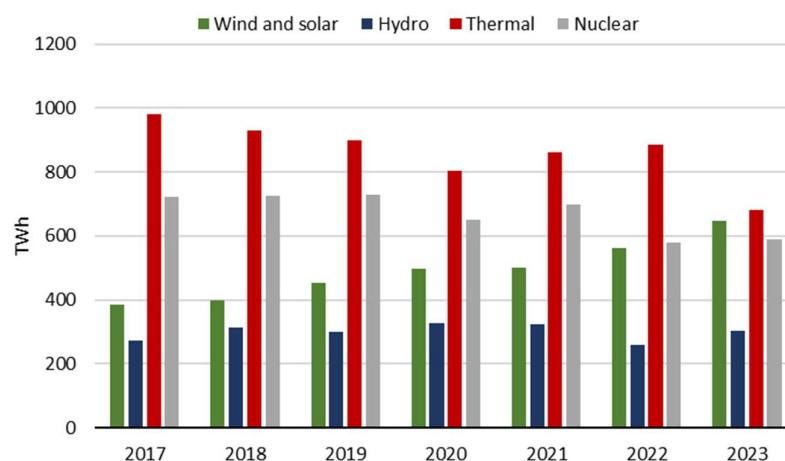
German clean spark spreads - a measure of gas-fired power profitability - exceeded equivalent clean dark spreads for most of the year, even after having remained consistently uncompetitive throughout

2022. Some governments still maintained a cautious approach in efforts to minimise gas generation in the power mix ahead of winter, e.g. Germany reactivating 1.9 GW of lignite in October. Others began to retract gas-saving measures enacted in 2022, with the Italian government restricting the use of coal to a minimum following its coal-maximisation decree put in place in response to the energy crisis. Overall, lignite and hard-coal generation both dropped around 59 TWh y/y, falling below recent historic lows for generation set in 2020.

The recovery in nuclear output was largely driven by a strong rebound in France, with production up 40 TWh from 2022 record low levels as French utility EDF better managed the return of plants impacted by stress-corrosion issues. Overall production for the year reached 320 TWh, toward the upper bound of EDF's production target range of 300-330 TWh.

While overall EU nuclear generation was further supported by the startup of the long-delayed 1.6 GW Finnish Olkiluoto 3 nuclear reactor in April and Slovakia's 471 MW Mochovce 3 nuclear plant in October, further upside was limited by the decommissioning of Germany's last three nuclear power plants alongside the permanent closure of the Tihange 2 reactor in Belgium.

### EU-27 power production by source



Source: ENTSO-E, Energy-charts.info

Aggregate EU renewable production maintained its strong uptrend through 2023, surpassing overall thermal generation for only the second time on record. Wind output increased by 14 % compared to 2022, with the uplift particularly pronounced through Q4-23 (up 30% y/y), as stormy conditions saw new production records set for multiple European power markets in December.

According to the IEA, the EU built around 17 GW of new wind farms across the year, of which around 3 GW were accounted for by offshore installations. A total of 13 GW of new offshore wind capacity was tendered in 2023, with a further 40 GW planned to be tendered this year as countries aim to increase annual capacity buildout to reach ambitious 2030 targets. Transmission-connected solar generation also recorded a strong increase, rising by 30 TWh y/y on the back of a third consecutive year of record new installations.

The overall increase in solar generation is likely to be underestimated given a strong increase in behind-the-meter solar consumption (not reported at the transmission level), with high energy prices since 2022 spurring on a wave of residential solar installations. Solar Power Europe estimates that almost 56 GW of new capacity was added through 2023, maintaining a growth rate of at least 40% for the third year in a row.

Renewable production was also supported by a recovery in hydro generation following relatively poor hydrological conditions through 2022. Overall output increased by 42 TWh, though remained below 2021 levels, with southern Europe experiencing another long-running drought through summer.

Heavy rainfall over the Alps through November saw a marked improvement in the region's hydrological balance. In contrast, an extended cold snap in the Nordics through Q4-23 resulted in a strong drawdown in the region's hydro stocks, with aggregate reservoir levels closing the year slightly below the equivalent point last year and nearly 8 percentage points lower versus the long-term median.

### Power prices

Power prices across Europe fell sharply in 2023 compared to the record highs observed in 2022. This reflects a steep decline in gas prices, driven by demand destruction and healthy gas storage levels heading into winter 2023, as well as a lower call on thermal generation more broadly.

The year of 2022 was plagued by corrosion issues at French nuclear power plants which, paired with the gas supply shock of declines in Russian pipeline deliveries, caused Q1-23 forward French baseload prices to reach close to 2,000 EUR/MWh in August 2022.

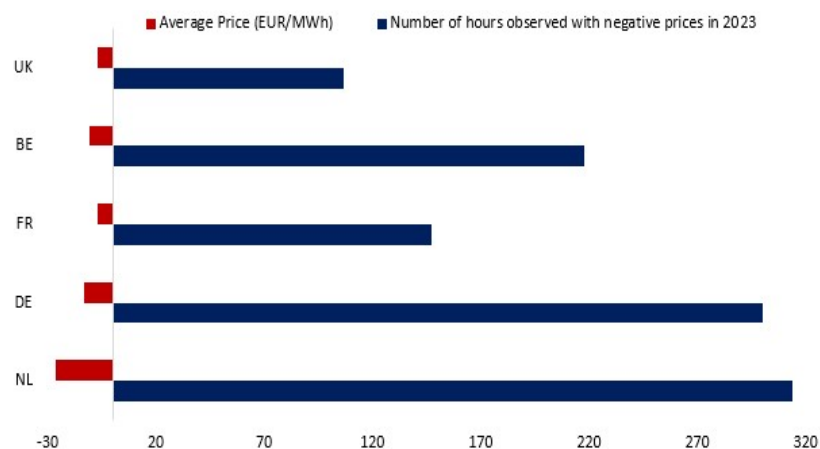
However, improvements in French nuclear availability in winter 2022 led to significant de-risking across the power curve. Along with mild conditions and high renewable output, Q1-23 French prices delivered at 130 EUR/MWh, almost 120 EUR/MWh lower than where the Q1-23 contract last traded before expiry. The DE Q1-23 similarly fell 100 EUR/MWh in delivery from expiry of 215 EUR/MWh.

Delivery prices for French power across summer 2023 averaged 88 EUR/MWh, while Germany delivered at 92 EUR/MWh. Higher non-thermal generation together with continued demand destruction and lower gas prices weighed significantly on European power prices.

There was a large increase in negative pricing at outturn, noticeably in the Netherlands where there were 314 hours of negative pricing across the year, 65% of which occurred during the summer. This was largely due to aggressive solar capacity growth adding cheap supply in excess of demand during peak hours. Due to extreme instances of negative pricing, day-ahead EPEX auction thresholds were lowered from -150 EUR/MWh to -500 EUR/MWh. This new limit was hit on 2 July 2023 in the Netherlands.

In Germany there were 300 hours of negative-priced deliveries, albeit prices generally spiked less severely low than in the Netherlands. Dutch prices delivered -14 EUR/MWh lower on average during hours in which both Germany and Netherlands priced negative.

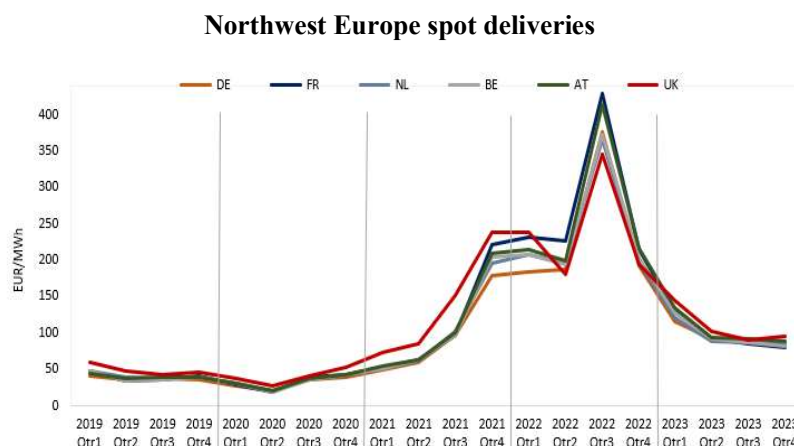
### **Number of negative-price hours in northwest Europe and average negative price**



Source: EPEX, EP Commodities

Q4-23 deliveries remained suppressed with high wind generation and improving nuclear availability. Northwest Europe spot prices averaged 86 EUR/MWh, with France delivering the lowest at 80 EUR/MWh.

Spot delivery prices remained subdued in Germany despite the phase out of nuclear generation, although Germany maintained a marginal 2 EUR/MWh premium over France. Several lignite plants were allowed to return to the market for winter 23/24, providing relatively cheap baseload supply. Strong wind generation across Q4-23 (up 22TWh y/y) also limited Germany's pull for imports.



Source: EPEX, EP Commodities

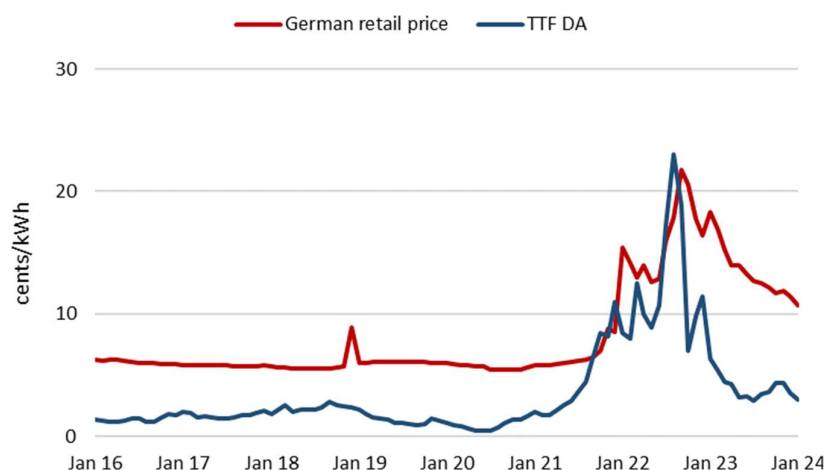
### Gas consumption

European natural gas demand declined further y/y in 2023 as lagged price effects, permanent demand destruction, and higher non-thermal power generation depressed demand. Northwest European and Italian gas demand fell by a further 8% y/y to 263 bcm, equivalent to a 16% deficit relative to the 2018-2022 average.

Northwest European and Italian local distribution company (LDC) demand reflecting burn for heating fell by 9 bcm y/y to 139 bcm in 2024 despite temperatures only 3% warmer y/y on average. The persistent demand reduction in the LDC sector points to a combination of lagged price effects and some permanent demand destruction. While wholesale prices fell, retail prices remain at elevated levels providing continued incentives for European end-consumers to save energy in winter and/or invest in energy efficiency measures.



### German retail gas prices vs TTF spot prices

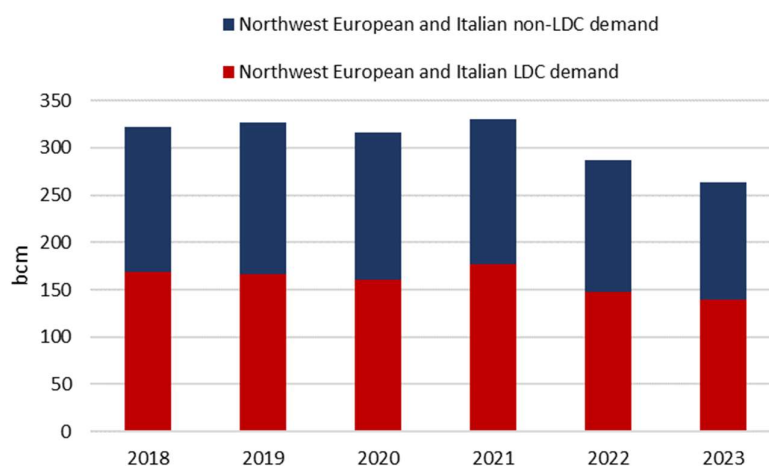


Source: Verivox, PEGAS, EP Commodities

Non-LDC demand in northwest Europe and Italy recorded even steeper declines, falling by 11% y/y to 124 bcm. While Germany aggregates power-sector and industrial gas demand, data from Belgium, France, the United Kingdom, and Italy point to power-sector gas demand driving most of the non-LDC demand losses. Industrial gas demand in the aforementioned four countries fell by 6% compared to power-sector gas demand which dropped by 21% to 41 bcm.

The drop in power-sector gas demand can largely be traced back to a lower y/y call on thermal generation. Significant improvements in French nuclear availability resulted in a 41 TWh increase in generation in 2023 – the equivalent of around 7 bcm of power-sector gas burn. Meanwhile, renewable generation in Germany, France, and the UK also increased by 35 TWh y/y in 2023 – the equivalent of approximately 6 bcm of power-sector gas burn.

### Northwest European and Italian gas demand by type



Source: ENTSOG, Transmission system operators, EP Commodities

### Gas supply

Norway cemented itself as the largest single gas supplier to Europe via pipeline in 2023 despite heavy maintenance and unplanned operational issues.

Exports to Europe fell 8% from a record high of 114 bcm in 2022 to 105 bcm in 2023. High gas prices relative to oil, especially on a forward basis, meant producers continued to spurn using gas for enhanced oil recovery (EOR). However, a heavy summer maintenance programme following two years of relatively light works severely restricted flows over summer.

Works during June and September were hit by unplanned delays which cut supply beyond market expectations and helped support prices. There was a particularly severe TTF price reaction in the first half of June when Shell extended maintenance by nearly a month on the processing plant Nyhamna, which treats gas from the fields Ormen Lange and Aasta Hansteen. The operator discovered a gas formation with hydrogen when cleaning a water-based cooling system, with its repair necessitating a longer shutdown than planned.

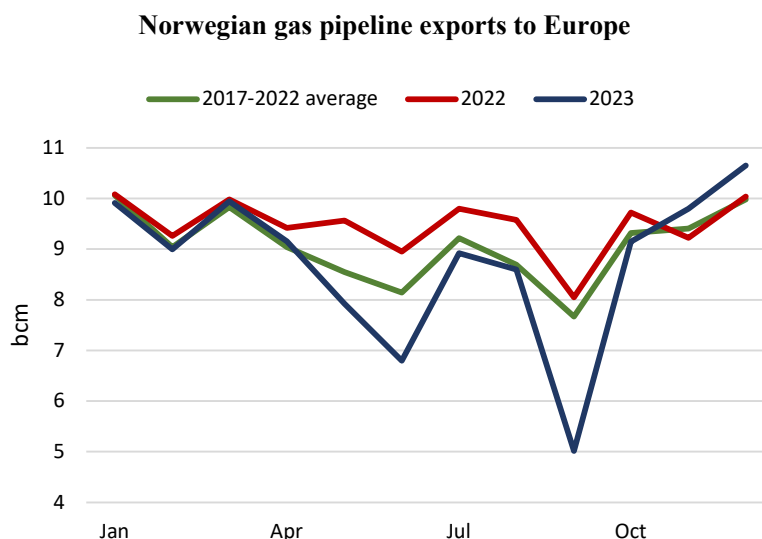
A second series of unplanned outages in September further weighed on Norwegian flows once more, this time driven primarily by rolling extensions to maintenance at the Troll field – the largest on the Norwegian shelf.

The year 2023 was the first full calendar year of Norwegian exports to Denmark following the start of the Baltic pipe towards the end of 2022. Most volumes continued to transit the Danish offshore and onshore grids before heading to Poland via the new pipe.

State-owned Equinor was granted its highest ever production permit of more than 40 bcm by the Norwegian petroleum and energy ministry for Troll for the 2023/24 gas year starting 1 October. The other key permit for the Oseberg field remained at the previous gas year's high of 7 bcm.

Troll was granted a permit of around 38 bcm the previous gas year, a record high for the time, but heavy maintenance meant production outturned just below 37 bcm. If volumes are deferred from previous years there can be scope to produce above the cap, as they did in the 2021/22 gas year.

Gas prices at the beginning of 2024 were significantly below the equivalent Brent price, which could incentivise the return to some EOR. However, there are currently no tangible indications of Norway pivoting back to oil production.



Source: Gassco, EP Commodities

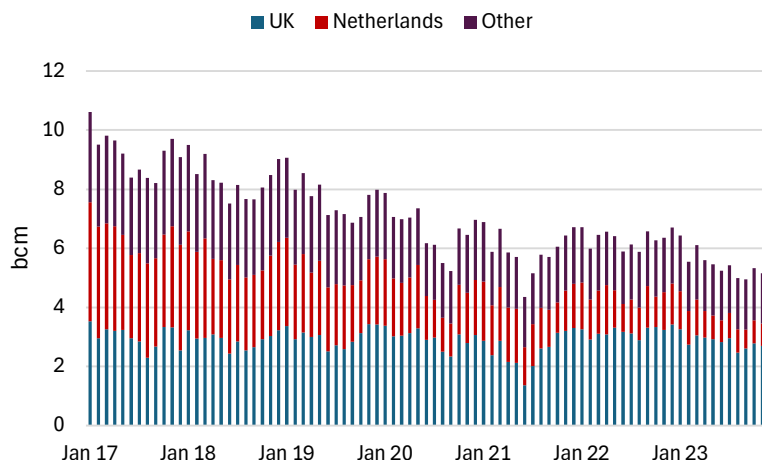
Unlike their Norwegian peers, there was evidence that UKCS producers began to turn down some of their gas production as output fell 10% y/y to 34 bcm in 2023.

Dutch production dropped by over 30% y/y to 16 bcm in 2023 as operator NAM wound down production at the Groningen field, with limited provisions to produce volumes during times of high demand/cold

temperatures. This effectively left small fields as the source of domestic production in the Netherlands, with some residual Danish volumes arriving via the NOGAT pipeline.

Those NOGAT volumes could largely dry up when Denmark restarts the Tyra field in 2024 after four years of redevelopment. Operator Total plans to ramp up production from the end of the first quarter of 2024 before reaching plateau production around 3 bcm/year which will land at the Nybro terminal in eastern Denmark.

### European domestic gas production



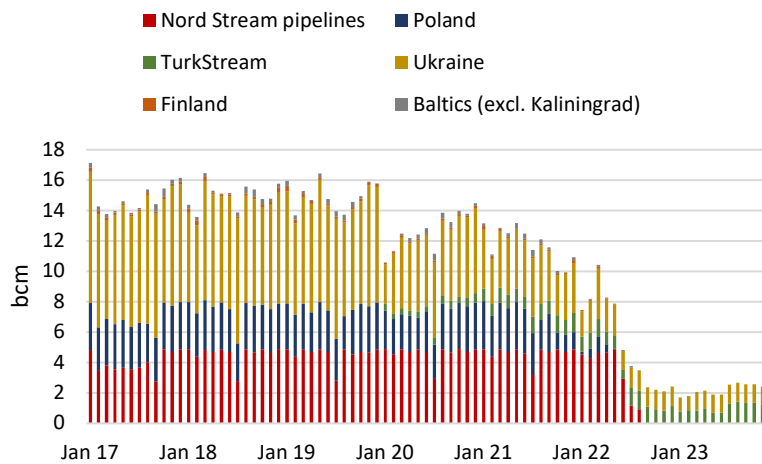
Source: ENTSOG, EP Commodities

North African flows to Italy and Spain edged 3% lower to 33 bcm with Algeria accounting for most exports and Libya delivering just over 10% of the total. With the Hassi R'Mel booster project mitigating the effect of high depletion rates from Algeria's more mature fields, flows were largely governed by contractual optimisation by Italian buyers. Algerian exports to Spain remain constrained by the cessation of transit via Morocco on the MEG pipeline in 2022.

Azeri flows into Italy generally held steady at around 9 bcm, down just 3% from 2022. There was some offtake into the Balkan region via the IGB but Italy continued to take the vast majority of contractual and spot deliveries.

Russian pipeline exports remained a fraction of their historic norm with Gazprom continuing to supply a few contractual buyers via the Ukrainian and Turkstream routes. Flows totalled approximately 27 bcm in 2023, less than half the 62 bcm in 2022 and a fraction of its 168 bcm peak in 2021.

### Russian pipeline exports to Europe by transit route



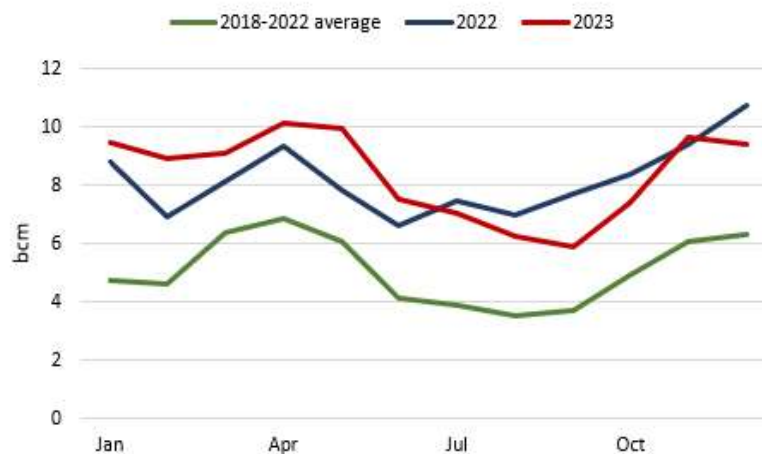
Source: ENTSOG, GTSOU, EP Commodities

### LNG

European LNG sendout for northwest Europe and Italy remained stable y/y in 2023, rising slightly to 101 bcm from 98 bcm in 2022. Europe continued to attract large volumes of flexible LNG, offsetting the impact of lower imports of piped Russian gas.

Overall, global LNG exports rose by 12 Mt y/y (16 bcm), driven by a combination of higher y/y exports from existing facilities that emerged from prolonged maintenance (Freeport, Hammerfest, Prelude), the ramp-up of greenfield projects (Coral Sul FLNG, Calcasieu Pass, Tangguh Train 3), and higher feedgas availability in Algeria. The increase in global LNG supply helped keep European LNG imports stable even in the face of stronger Asian LNG takes, which rose by 9 Mt.

### European LNG sendout, balances in our perimeter



Source: ENTSOG, Transmission System Operators

Last year's rise in Asian LNG imports was fueled by a recovery in Chinese gas demand, which grew by 27 bcm y/y, reflecting a strong post-COVID rebound in economic output. The industrial and city gas sectors accounted for the bulk of the increase in Chinese demand, driven by the easing of COVID-related lockdowns. However, the crisis in the property sector and subdued external demand tempered the growth in Chinese LNG imports.

China's LNG imports for the year reached 72 Mt, marking an 8 Mt y/y increase, but remaining 7 Mt below the record-high imports of 79 Mt in 2021. The growth in China was offset by declines in Japan and Korea on the back of higher nuclear availability, as well as weak spot purchases from Pakistan and Bangladesh due to prices remaining above their affordability thresholds.

Europe expanded its LNG-import capacity by an additional 11 Mtpa (14 bcm/y) in 2023, following the previous year's addition of 20 Mtpa (28 bcm/y). The deployment of additional floating storage and regasification units (FSRUs) in Germany, France and Italy continued LNG infrastructure build-out across northwest Europe and alleviated bottlenecks from 2022.

Due to Europe's ongoing reliance on LNG to compensate for the loss of most of its Russian pipeline gas, the potential for unplanned outages at major LNG export plants remained a significant factor influencing TTF price volatility. In August and September, the threat of strikes at three of Australia's biggest LNG projects - Woodside's North West Shelf and Chevron's Wheatstone and Gorgon facilities - exerted significant upward price pressure on TTF futures, pushing near-curve prices above 40 EUR/MWh.

The eruption of the Israel-Hamas war in October, which resulted in a temporary halt of Israeli gas exports to Egypt via the East Mediterranean Gas pipeline, also caused TTF futures to rally over concerns that Egypt would not be able to export LNG during winter.

#### Gas storage

Underground inventories across Europe ended winter 2022-23 at a historically high level. Aggregate EU stocks totalled 57 bcm at the start of April, around 56% full, more than double the 27 bcm they ended the 2021-22 winter with.

Warmer-than-average weather, robust LNG supply, and demand destruction left the market with little need to draw on stocks. The prospect of very low injections during the summer weighed on gas prices through the first half of the year.

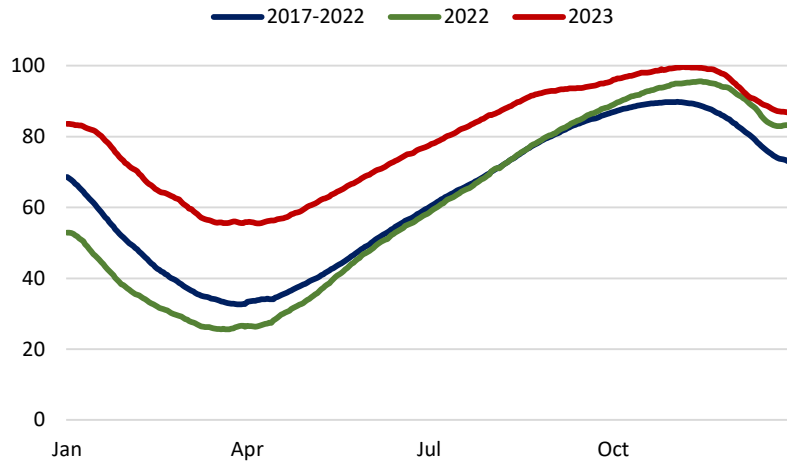
Shippers started to consistently inject into stores towards the end of March 2023 and warm weather at the start of the 2023-24 winter meant stocks reached a maximum of 102 bcm and a fullness in excess of 99%. Many sites filled above nameplate capacity as operators were able to manage pressure and offer additional space to the market. Injections averaged 223 mcm/d across April-September, down from 335 mcm/d the summer prior.

European legislation adopted in 2022 around minimum inventory targets remained in place in 2023. Member states (with some derogations) had to reach 90% fullness by November, but all were able to do so with little to no intervention from market operators. The same targets remain in place for 2024.

A lack of conventional space to inject coming into the winter meant the market had to turn to other less conventional storage. TTF time-spreads widened to incentivise the usage of both Ukrainian storage capacity and floating storage onboard LNG tankers to provide short-term balancing solutions to the market in the September-October shoulder season.

The warm start to winter and usage of non-domestic storage flexibility meant European underground storage sites did not start to be consistently depleted until the second half of October. Another warmer-than-average fourth quarter, coupled with strong Norwegian and LNG supply meant sites ended the calendar year holding 89 bcm – around 86% full.

### European gas inventories fill rate (%)

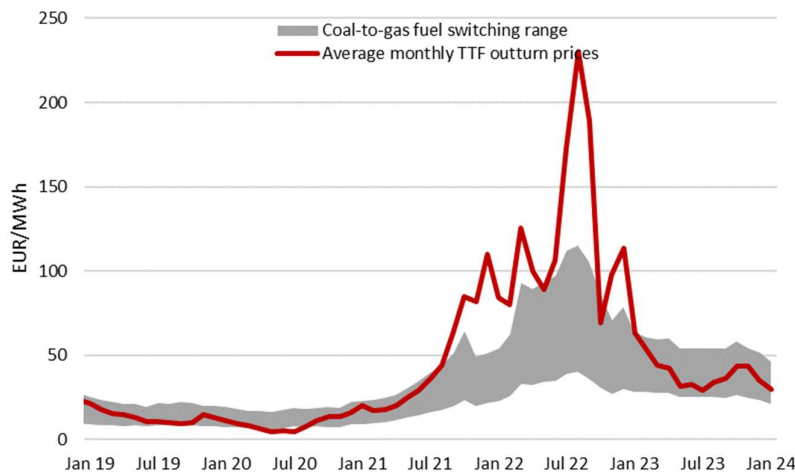


Source: AGSI, EP Commodities

### Gas prices

TTF prices at the start of 2023 were already significantly off their 2022 highs but still buoyed by security of supply concerns, with day-ahead prices in January still averaging around 64 EUR/MWh. Continued soft demand and stable supply allowed Europe to end the winter 2022 season with storages still being filled 55% on 31 March 2023, opening up further downside for prices over the course of the second quarter of 2023 and allowing the TTF to trade firmly within the coal-to-gas fuel switching range throughout the remainder of the year.

### Average TTF outturn prices versus coal-to-gas fuel switching range



Source: ICE, NYMEX, EP Commodities

After a temporary rally in March over concerns of new corrosion issues at French nuclear facilities, TTF day-ahead prices steadily declined and reached their 2023 low in June of last year, reaching around 23 EUR/MWh compared to around 106 EUR/MWh the same time in the previous year. However, prices in the low 20 EUR/MWh range meant that the market was factoring in minimal to no supply disruptions, rendering it prone to price spikes. The potential for significant volatility was amplified by the growing

risk of short squeezes as investment funds' net short position in June 2023 reached the largest net short since July 2020, according to ICE data.

On 13 June, Shell announced a large unplanned outage at the Nyhamna processing site in Norway, delaying the plant's restart by an additional six weeks and in turn tightening the European market by around 1-2 bcm. News of the outage, paired with fears of further maintenance extensions, led to sharp price gains, with day-ahead prices rising from around 23 EUR/MWh at the start of June to around 40 EUR/MWh on 15 June.

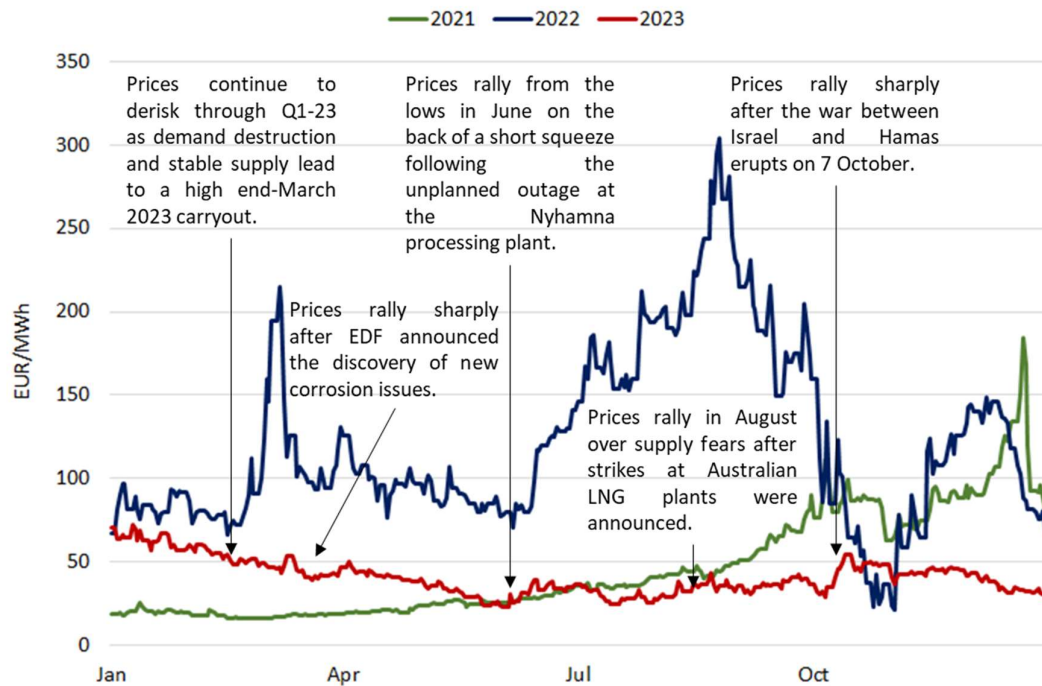
As the Nyhamna processing plant restarted in mid-July, TTF day-ahead prices fell again to the mid-20s EUR/MWh and remained fairly rangebound until the beginning of August. Strikes at Australian LNG facilities threatened around 4 Mt/m (5 bcm/m) of LNG exports, causing prices to rise again with day-ahead prices breaking the 40 EUR/MWh barrier on 22 August. Prices remained elevated until late September. By this point, Woodside reached an agreement with the workers union paving the way for stable LNG exports while Chevron demonstrated that it was able to maintain LNG exports at Gorgon and Wheatstone LNG despite ongoing strikes.

The market saw a sharp repricing at the end of September with day-ahead prices falling from the 40 EUR/MWh mark to 29 EUR/MWh on 6 October. The bearish move was negated, however, after the Hamas terrorist attack on Israel and the ensuing conflict in Gaza. Market jitters over Egyptian and Qatari LNG exports quickly drove day-ahead prices to 54 EUR/MWh on 13 October.

Concerns waned in November as Israeli gas production normalised following the temporary shutdown of the Tamar gas field in October, with Egypt soon resuming LNG exports. At the same time, it became apparent that the conflict would not imminently escalate to a direct confrontation between Israel and Iran, in turn reducing risks to Qatari supply despite attacks from Houthi militants on commercial ships in the Bab al-Mandeb Strait.

As a result, prices came off their October highs relatively quickly to trade around the 40-45 EUR/MWh range in November before derisking to 30 EUR/MWh by end-December 2023 and dropping further into the high 20s EUR/MWh in January 2024.

## TTF outturn (day ahead) prices in EUR/MWh



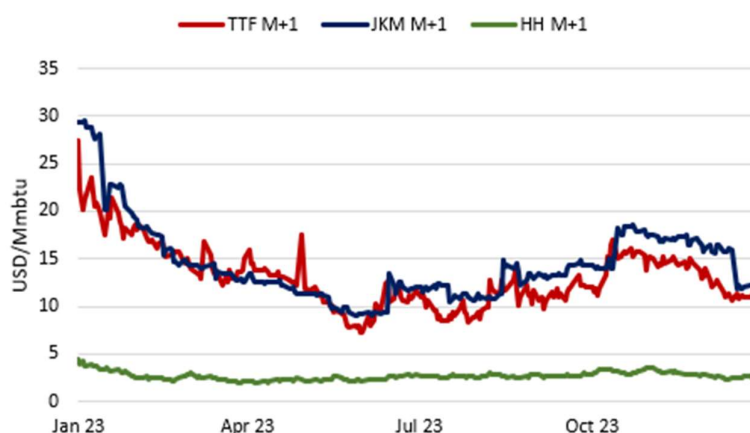
Source: ICE, EP Commodities

JKM-TTF spreads averaged \$0.10/mmbtu in 2023, rising by \$7/mmbtu y/y on the back of higher Asian demand, softer TTF flat prices and reduced congestion at European regasification terminals. A weak Asian call on cross-basin US spot cargoes kept JKM-TTF spreads trading in a range between the Qatari and West African freight differentials for most of 2023. Freight differentials refer to the increase in shipping costs to send LNG cargoes to Europe instead of Northeast Asia.

It was only in the fourth quarter of 2023 that JKM-TTF spreads widened to levels sufficient to open the arbitrage for US cargoes to Asia via the Cape of Good Hope (COGH). Wider JKM-TTF spreads through the fourth quarter were the results of low water levels at Panama Canal's Gatun Lake combined with a higher Asian call on US spot cargoes, in part driven by a cold start to the winter in China. As a result, JKM-TTF spreads had to widen enough to incentivise LNG carriers from the US to Asia to take the longer route via COGH to avoid extended waiting times at the Panama Canal's Neopanamax lock.



## Global gas prices



Source: ICE, NYMEX, EP Commodities

Henry Hub prices averaged \$2.6/mmbtu in 2023, marking a 62% y/y drop, owing to a combination of record-high production and flat y/y demand. US dry-gas production averaged 104 bcf/d (3 bcm/d) in 2023, driven by higher output in the Permian basin thanks to improved well-level productivity and higher crude prices. Gas production in the Haynesville and Appalachia regions also rose y/y, pushing inventories higher and exerting downward pressure on Henry Hub prices.

## Oil

Crude oil prices ended 2023 slightly lower than where they started, with the front-month Brent benchmark starting the year trading above 85 USD/bbl and ending it below 78 USD/bbl.

The contract bounced between 80 and 90 USD/bbl at the start of 2023 before dipping towards the 70 USD/bbl level towards the end of March. Financial market instability drove the market lower before expectations of US Federal Reserve cuts started to drive prices higher.

Tighter fundamentals and a calmer banking sector helped prices rebound up to 87 USD/bbl in April. Demand was supported by a resurgent Chinese market despite weak industrial activity and warm weather hitting OECD consumption. Cuts by OPEC+ members tightened the supply side, offset by growth in the US, Brazil and Russia with the latter reaching in March its highest monthly export total since April 2020.

Prices again dipped lower in April and tested 70 USD/bbl through the first half of summer. Fears of hawkish US Central Bank policies and a stuttering global economy continued to weigh on Brent futures. Demand remained resilient despite the macroeconomic climate, with China and India leading the way.

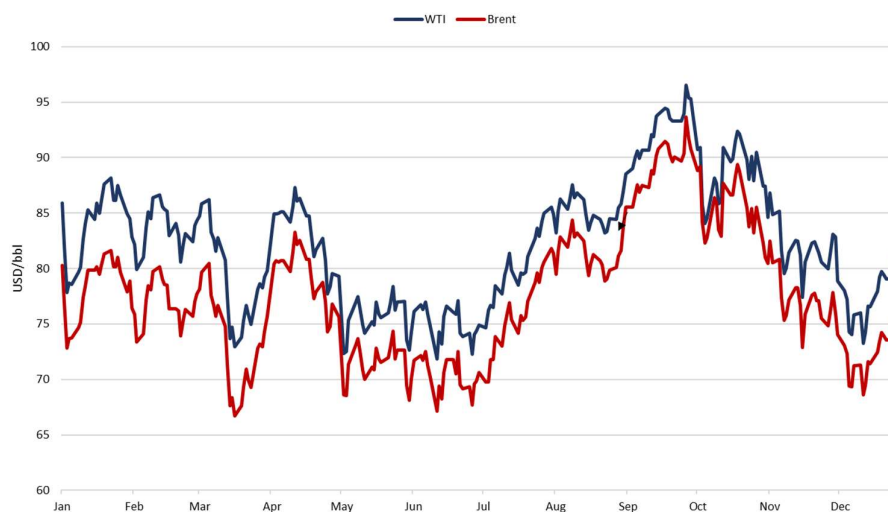
Crude futures jumped up following the Hamas attacks in Israel on 7 October as the market priced in the increased geopolitical risk. This came on the back of an already bullish market in September amid voluntary supply cuts by Saudi Arabia which pushed the front-month contract to what would be its annual high around 98 USD/bbl.

Prices turned decidedly bearish over November and December as the weight of supply growth outside of OPEC+ and slowing demand growth loosened the market. Despite more OPEC+ cuts, supply growth from the US, Brazil, Guyana and Iran were able to push prices as much as 25 USD/bbl lower than their September high.

It was a year of shifting supply patterns, with east-of-Suez markets absorbing the majority of Russian exports as well as growing Iranian supply. They will need to accommodate volumes from the Atlantic Basin with the continued growth out of the US and Guyana, all the while managing geopolitical risk

from an expanding conflict in and around Suez. As in LNG, the Cape of Good Hope is the main alternative route and extends voyages by up to two weeks while boosting freight and insurance costs.

### Key oil benchmark prices



Source: ICE, EP Commodities

### Coal

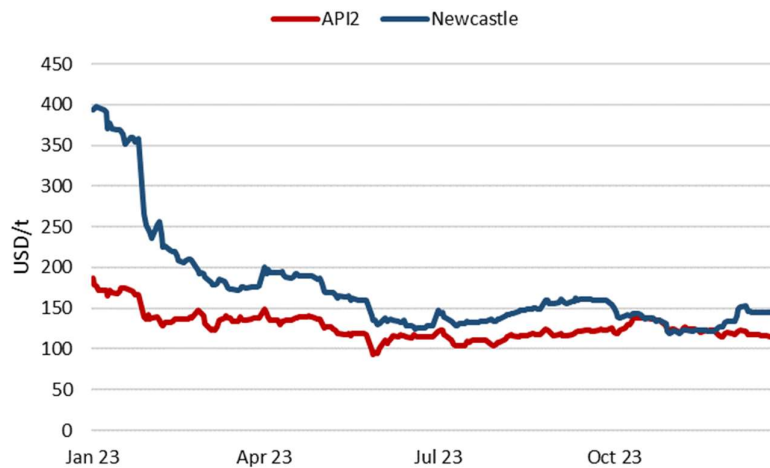
API2 prices fell significantly throughout 2023 and sharply from their 2022 highs owing to looser fundamentals. Lower gas and EUA prices also opened downside for API2 prices as Europe was not calling as strongly on coal-fired power generation. As a result, prices fell from around 190 USD/t at the beginning of January 2023 to 118 USD/t at the end of December 2023.

Demand for coal continued to grow in 2023, with the IEA estimating global coal demand to have reached 8,536 Mt – a 1.4% y/y increase. European Union coal demand dropped 23%. More nuclear and renewable generation paired with demand destruction in the power sector lessened the call on thermal generation. Europe's loose gas balance in 2023 amplified the bearish impact on coal as low gas prices incentivised a switch from coal to gas-fired power generation.

China – despite flailing economic growth – posted a 4.9% y/y increase in coal demand in 2023. The Chinese electricity sector spearheaded the increase as it is less sensitive to fuel-switching dynamics. Owing to the country's growing power demand, coal-fired power generation in China increased by almost 7% in 2023, reaching more than 3,000 Mt according to the IEA.

Indian coal demand rose by 8% y/y in 2023. India's coal demand is mainly determined by power generation, with fuel-switching dynamics not playing a great role in its aggregate thermal coal demand. Overall, the IEA estimates that India's coal consumption for power generation increased 9% to around 937 Mt in 2023, accounting for most of the aggregate demand increase.

### Global coal prices



Source: ICE, EP Commodities

The bearish impact of lacklustre demand and lower gas prices on coal prices was amplified by robust supply growth in 2023, with the IEA estimating coal supplies reached new highs of around 8,582 Mt (up 7% y/y). This increase was predominantly led by China, which drove up domestic production to reduce its dependence on coal imports.

Production in India further contributed to the relatively strong global supply growth in 2023. India's domestic production is expected to have increased by around 11% to more than 1,000 Mt in 2023, driven in large part by strong production growth from operators of captive mines, which do not feed to power plants connected to the grid. NTPC, India's largest power producer, ramped up production in its captive blocks at an estimated 65% to 23 Mt, while the IEA estimates the captive blocks on aggregate have grown output by 27%.

### EUA

As energy prices rose to all-time highs in 2022, the positive correlation they had to EUAs broke down. While EUA prices were at first buoyed by high coal-fired generation (and hence carbon emissions demand), the resulting demand destruction from high energy prices weighed significantly on demand for emissions certificates, causing the correlation to flip negative.

The past year saw the positive correlation between EUAs and energy prices return. With gas trading back in the coal-to-gas switching range, the usual dynamics resumed whereby higher gas prices would displace gas-fired generation in favour of coal, in turn causing a rise in carbon emissions certificates.

As a result, EUA prices largely followed gas prices lower, with the Dec-23 contract selling off to 69 EUR/t on 18 December from 86 EUR/t at the beginning of the year. However, the bearish pressure on EUA prices was amplified by three factors.

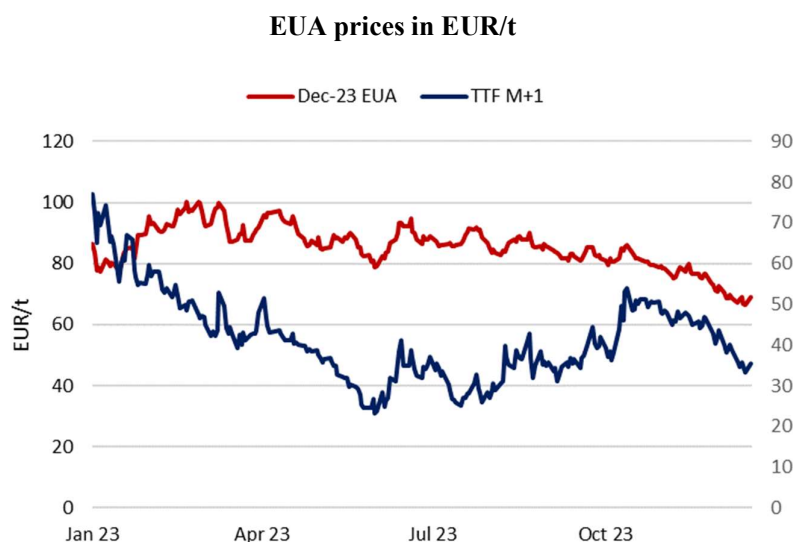
First, sticky demand destruction continues to weigh heavily on emission certificate demand. European industry emits less due to production curtailments while also consuming less power, meaning that both industrial demand and power-sector demand for emissions certificates remains subdued.

Second, non-thermal generation in Europe grew significantly, with higher French nuclear and renewable generation across Europe, which weighed further on power-sector demand for emissions certificates.

Lastly, supply for emissions certificates was bolstered by the European Commission's decision to front-load sales of allowances that were scheduled to be auctioned between 2027-2030 to before 31 August 2026 to raise around 40% of the Commission's planned EUR 20 billion.

The confluence of bearish factors continued to weigh on EUA prices in January 2024, with the Dec-24 contract reaching a low of around 62 EUR/t on 23 January.

From January 2024, the EU Emissions Trading System (ETS) also covers the shipping sector, with emissions from maritime transport being subject to the same cap-and-trade principles as other industries covered by the EU ETS. In 2024, the system starts by covering 40% of emissions from eligible vessels, with the coverage increasing to 70% in 2025 and 100% by 2026. At the same time, 2024 will also start to see free allowances for the aviation sector to be phased out. Free allowances will be reduced by 25% in 2024 and 50% in 2025 while the industry will have to pay for 100% of their emissions from 2026.



Source: ICE, EP Commodities

### 1.5 EU Taxonomy regulation

EPH Group is currently in the assessment process of the alignment of its activities with the EU Taxonomy Regulation, a classification system establishing a list of environmentally sustainable economic activities which is supposed to direct investments towards sustainable projects. The results of this assessment will be disclosed as part of the EPH sustainability report for the year 2023, where EPPE Group will be included.

## 2. MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of EP Power Europe, a.s. (further "the Company") for the year ended 31 December 2023, which is prepared in accordance with the Czech accounting legislation.

The Statutory Financial Statements of the Company have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations and decrees applicable to entrepreneurs, in particular Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The Consolidated Financial Statements of the EPPE Group have been prepared in accordance with International accounting standards (IAS) and International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), as adopted by the European Union.

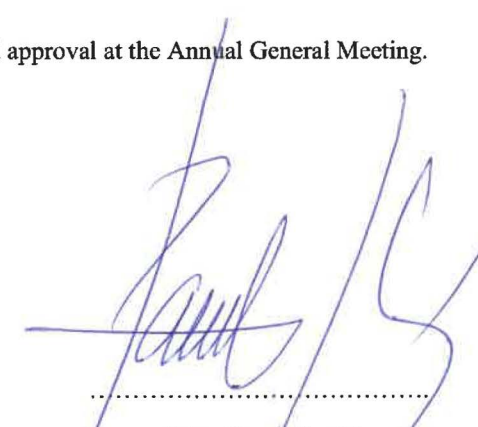
In our opinion, both accompanying financial statements give true and fair view of the assets, liabilities, financial position, profit or loss as well as cash flows for the financial year 2023. In addition, the Group's review of operations includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the EPPE Group.

We recommend the Annual Report for authorisation and approval at the Annual General Meeting.

Prague, 3 May 2024



Mgr. Marek Spurný  
*Vice-chairman of the Board of Directors*



Mgr. Pavel Horský  
*Vice-chairman of the Board of Directors*

### **3. REPORT ON RELATIONS**

## **REPORT ON RELATIONS**

between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity (related entities)

prepared by the Board of Directors of EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 278 58 685, in accordance with Section 82 (1) of Act No. 90/2012 Coll., as amended

(the “**Report**”)

---

### **I. Preamble**

The Report has been prepared pursuant to Section 82 (1) Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended (“**BCCA**”).

The Report has been submitted for review to the Company’s Supervisory Board in accordance with Section 83 (1) of the BCCA and the Supervisory Board’s position will be communicated to the Company’s general meeting, deciding on the approval of the Company’s ordinary financial statements and on the distribution of profit or the settlement of loss.

The Report has been prepared for the 2023 accounting period.

### **II. Structure of Relations between the Entities**

#### **CONTROLLED ENTITY**

The controlled entity is EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 278 58 685, registered in the Commercial Register of the Municipal Court in Prague, Section B, Insert 21599.

#### **DIRECT CONTROLLING ENTITY**

Energetický a průmyslový holding, a.s.

Registered office: Pařížská 130/26, Josefov,  
110 00 Prague 1, Czech Republic  
ID No.: 283 56 250

## **INDIRECT CONTROLLING ENTITY**

EP Investment S.à.r.l.

Registered office: 2, Place de Paris, L – 2314  
Luxembourg, Luxembourg  
Reg. No.: B 184488

EP Corporate Group, a.s.

Registered office: Pařížská 130/26, Josefov,  
110 00 Praha 1, Czech Republic  
ID No.: 086 49 197

## **OTHER CONTROLLED ENTITIES**

The structure of relations of the controlling entity EP Investment S. à r.l. and the groups of controlled entities controlled by this controlling entity is presented in Annex 1 to the Report. The Annex, therefore, does not contain the complete ownership structure of EP Investment S. à.r.l., nor does it list the shareholders holding non-controlling interests.

### **III.**

#### **Role of the Controlled Entity, Method and Means of Control**

##### **Role of the controlled entity**

- strategic management of the development of a group of directly or indirectly controlled entities
- providing financing and developing financing systems for group entities
- optimising the services utilised and provided in order to improve the entire group's performance
- managing, acquiring and disposing of the Company's ownership interests and other assets

##### **Method and means of control**

The controlling entities hold a majority share of voting rights in EP Power Europe, a.s. over which they exercise a controlling influence.

### **IV.**

#### **Overview of Acts specified by Section 82 (2)(d) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives in 2023**

During 2023, the sole shareholder of EP Power Europe, a.s. declared dividends in the aggregate amount exceeding 10% of the Company's equity.

In 2023, no other actions were taken at the initiative or in the interest of the controlling entity that would concern assets exceeding 10% of the controlled entity's equity as determined from the most recent financial statements.



## **V.**

### **Agreements concluded between EP Power Europe, a.s. and other Related Entities**

#### **V.1.1.**

**In 2023, the following loan agreements concluded with companies within Energetický a průmyslový holding, a.s. were in place:**

On 13 February 2017, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 1 August 2017, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 31 December 2018, a loan agreement including valid amendments was signed by and between EP Power Europe, a.s. as the debtor and Energetický a průmyslový holding, a.s. as the creditor.

On 4 January 2021, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 22 March 2021, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 15 September 2021, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 18 February 2022, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EP Power Europe, a.s. as the creditor.

On 12 April 2022, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 11 October 2022, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 25 November 2022, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 19 December 2022, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 20 December 2022, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 16 February 2023, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 29 May 2023, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 6 June 2023, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and Energetický a průmyslový holding, a.s. as the debtor.

On 22 August 2023, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 4 September 2023, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 31 October 2023, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

**In 2023, the following loan agreements concluded with companies within EP Power Europe, a.s. were in place:**

On 1 August 2017, a loan agreement was signed by and between EP United Kingdom, s.r.o. as the creditor and EP UK Investments Ltd as the debtor. In 2017, EP Power Europe, a.s. became the legal successor of EP United Kingdom, s.r.o.

On 13 February 2017, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and Lynemouth Power Limited as the debtor.

On 30 November 2018, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 9 July 2019, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP France S.A.S., as the debtor.

On 28 January 2020, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EPPE Germany, a.s. as the debtor.

On 22 March 2021, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments, Ltd as the debtor.

On 8 September 2021, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP CTA GmbH as the debtor.

On 15 September 2021, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 17 January 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the debtor and Saale Energie GmbH as the debtor.

On 12 April 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP Resources CZ a.s. as the debtor.

On 25 August 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EPPE Germany, a.s. as the debtor.

On 11 October 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 25 November 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP Power Minerals GmbH as the debtor.

On 15 December 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the debtor and EP Commodities, a.s. as the creditor.

On 19 December 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP Commodities AG as the debtor.

On 20 December 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. the creditor and EP Netherlands B.V. as the debtor.

On 6 June 2023, a loan agreement was signed by and between EP Power Europe, a.s. as the debtor and EP UK Investments Ltd as the creditor.

On 22 August 2023, a loan agreement, including valid amendments, was signed between EP Power Europe, a.s. as the creditor and EP Hungary s.r.o. as the debtor.

On 3 October 2023, a loan agreement was signed by and between EP Power Europe, a.s. as the debtor and EP Resources AG as the creditor.

On 18 October 2023, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP Commodities, a.s. as the debtor.

On 31 October 2023, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP Commodities, a.s. as the debtor.

#### **V.1.2.**

**In 2023, the following agreements on the provision of an additional equity contribution were concluded with companies within EP Power Europe, a.s.:**

On 7 February 2023, an agreement on the provision of an additional equity contribution was signed by Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

On 19 May 2023, an agreement on the provision of an additional equity contribution was signed by Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

On 25 August 2023, an agreement on the provision of an additional equity contribution was signed Energetický a průmyslový holding a.s. as the shareholder and EP Power Europe, a.s.

### **V.1.3.**

#### **In 2023, the following agreements on offsetting receivables and payables were concluded with companies within EP Power Europe, a.s.:**

On 21 February 2023, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EP Hungary, a.s.

On 18 October 2023, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EP Commodities, a.s.

On 20 December 2023, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EPPE Germany, a.s.

#### **In 2023, the following agreements on offsetting receivables and payables were concluded with companies within Energetický a průmyslový holding, a.s.:**

On 20 December 2023, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

### **V.1.4.**

#### **Other contracts concluded with companies within Energetický a průmyslový holding, a.s. were in place in 2023:**

On 1 December 2017, a framework agreement on the provision of guarantees was signed by and between Energetický a průmyslový holding, a.s. as the guarantor and EP Power Europe, a.s. as the debtor.

#### **Other contracts concluded with companies within EP Power Europe, a.s. were in place in 2023:**

On 24 June 2016, an agreement on the provision of guarantees was signed by and between EPPE Italy N.V. as the guarantor (formerly Czech Gas Holding N.V.) and EP Produzione S.p.A. In 2019, EPPE Italy N.V. merged with EP Power Europe, a.s.

On 29 June 2018, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Commodities, a.s.

On 15 October 2018, an agreement on the provision of guarantees was signed between EP Power Europe, a.s. as the guarantor and Mitteldeutsche Braunkohlengesellschaft mbH.

On 30 November 2018, an agreement on the assignment of a loan agreement, including valid amendments, was signed by and between EP Power Europe a.s. as the assignor and EP UK Investments Ltd as the assignee, against Lynemouth Power Limited.

On 1 August 2020, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and Gazel Energie Solutions SAS.

On 15 December 2021, an agreement on the purchase of shares including the assignment of the loan agreement and its valid amendments was signed by and between EP Energy, a.s. as the seller and EP Power Europe, a.s. as the buyer with respect to Greeninvest Energy, a.s.

On 1 August 2021, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Power Minerals GmbH.

On 24 August 2022, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Langage Limited.

On 1 December 2022, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and Illico S.A.S.

On 23 August 2023, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Resources AG.

On 23 August 2023, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and PZEM ENERGY COMPANY.

On 23 August 2023, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and BELSIZE POWER HOLDINGS B.V.

On 23 August 2023, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and HAMPSTEAD B.V.

#### **V.1.5.**

#### **In 2023, the following operating agreements concluded with companies within Energetický a průmyslový holding, a.s. were in place:**

An agreement on mediation dated 1 September 2016, concluded between EP Power Europe, a.s. as the interested party, and EP Investment Advisors, s.r.o. as the provider.

An agreement on the sublease of business premises dated 15 June 2017, concluded between EP Power Europe, a.s. as the sub-lessee and EP Investment Advisors, s.r.o. as the lessee.

An agreement on providing professional assistance concluded on 2 January 2018 between EP Power Europe, a.s. as the provider, and EP Fleet, a.s. as the interested party.

An agreement on providing professional assistance concluded on 1 January 2019 between EP Power Europe, a.s. as the provider, and EP Logistics International, a.s. as the interested party.

An agreement on a vehicle lease concluded on 1 March 2021 between EP Power Europe, a.s. as the lessee and EP Investment Advisors, s.r.o. as the lessor.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the provider and Energetický a průmyslový holding, a.s. as the interested party.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the provider and EP Investment Advisors, s.r.o. as the interested party.

Smlouva o poskytování odborné pomoci uzavřená mezi společností EP Power Europe, a.s. jako zájemcem a společností EP Investment Advisors, s.r.o. jako poskytovatelem dne 28. února 2022.

An agreement on providing professional assistance concluded on 28 February 2022 between EP Power Europe, a.s. as the interested party and EP Investment Advisors, s.r.o. as the provider.

**In 2023, the following operating agreements concluded with companies within EP Power Europe, a.s. were in place:**

An agreement on providing professional assistance concluded on 15 February 2022 between EP Power Europe, a.s. as the provider and EP Netherlands B.V. (formerly EP Yuzivska B.V.) as the interested party.

An agreement on providing professional assistance concluded on 15 February 2022 between EP Power Europe, a.s. as the provider and EP Ukraine B.V. (EP Sophievska B.V.) as the interested party.

An agreement on providing professional assistance concluded on 13 May 2022 between EP Power Europe, a.s. as the provider and Mitteldeutsche Braunkohlengesellschaft mbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP UK Investments Ltd as the interested party.

An agreement on providing professional assistance concluded on 15 January 2022 between EP Power Europe, a.s. as the provider and EP Mehrum GmbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Commodities, a.s. as the interested party, effective from the calendar year 2021.

An agreement on providing professional assistance concluded on 7 March 2022 between EP Power Europe, a.s. as the provider, and EP Resources CZ, a.s. as the interested party.

An agreement on providing professional assistance concluded on 5 May 2022 between EP Power Europe, a.s. as the provider and Saale Energie GmbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP France S.A.S. as the interested party, effective from the calendar year 2021.

An agreement on providing professional assistance concluded on 5 May 2022 between EP Power Europe, a.s. as the provider and JTSD Braunkohlebergbau GmbH as the interested party.

An agreement on providing professional assistance concluded on 23 March 2022 between EP Power Europe, a.s. as the provider and EP Resources AG as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Produzione S.p.A. as the interested party.

An agreement on providing professional assistance concluded on 23 March 2022 between EP Power Europe a.s. as the provider and EP Power Minerals GmbH as the interested party.

An agreement on providing professional assistance concluded on 4 April 2022 between EP Power Europe, a.s. as the provider and Kraftwerk Mehrum GmbH as the interested party.

An agreement on providing professional assistance concluded on 4 April 2022 between EP Power Europe, a.s. as the provider and RVA Consulting Engineers Limited as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Hungary s.r.o. Limited as the interested party, effective from the calendar year 2022.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Resources DE GmbH Limited as the interested party, effective from the calendar year 2022.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP France Management & Services Limited as the interested party, effective from the calendar year 2022.

An agreement on providing professional assistance concluded on 1 December 2023 between EP Power Europe, a.s. as the provider and EP Commodities AG as the interested party.

An agreement on providing professional assistance concluded on 1 December 2023 between EP Power Europe, a.s. as the interested party and EP Commodities AG as the provider.

An agreement on providing professional assistance concluded on 14 June 2022 between EP Power Europe, a.s. as the provider and EP Risk Management Services, a.s. as the interested party.

An agreement on providing professional assistance concluded on 19 January 2022 between EP Power Europe a.s. as the provider and Biomasse Italia S.p.A. as the interested party.

An agreement on providing professional assistance concluded on 19 January 2022 between EP Power Europe a.s. as the provider and Biomasse Crotone S.p.A. as the interested party.

An agreement on providing professional assistance concluded on 19 January 2022 between EP Power Europe a.s. as the provider and Fusine Energie S.r.l. as the interested party.

**In 2023, the following operating agreements concluded with companies within EP Infrastructure, a.s. were in place:**

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the interested party and EP Infrastructure, a.s. as the provider.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Infrastructure, a.s. as the interested party.

**In 2023, the following operating agreements concluded with companies within EP Corporate Group, a.s. were in place:**

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the interested party and EP Real Estate, a.s. (formerly PT Real Estate, a.s.) as the provider.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the provider and EP Real Estate, a.s. (formerly PT Real Estate, a.s.) as the interested party.

**In 2023, the following operating agreements concluded with companies within EP Energy Transmission, a.s. were in place:**

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the provider and LEAG Holding, a.s. as the interested party.

An agreement on providing professional assistance concluded on 25 May 2022 between EP Power Europe, a.s. as the provider and New Energies GmbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and Lausitz Energie Bergbau AG as the interested party.



**VI.**  
**Other juridical acts made between EP Power Europe, a.s. and other related entities**

Except for the above, no other agreements were concluded by and between EP Power Europe, a.s. and the related entities, and no supplies or considerations were provided between EP Power Europe, a.s. and the related entities.

EP Power Europe, a.s. did not adopt or carry out any other juridical acts or measures in the interest or at the initiative of the related entities.

**VII.**  
**Transactions, receivables and payables of EP Power Europe, a.s. vis-à-vis related entities**

Receivables and payables of EP Power Europe, a.s. from/to related entities as at 31 December 2023 are disclosed in the respective note to the financial statements of the controlled entity for the year ended 31 December 2023.

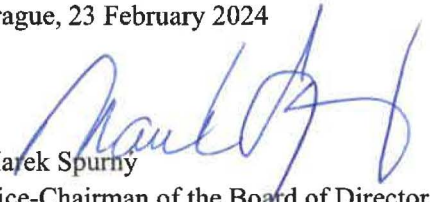
## VIII.

We hereby confirm that in this report on relations between related parties of EP Power Europe, a.s. prepared pursuant to the provision of Section 82(1) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended, for the reporting period from 1 January 2023 to 31 December 2023, we have included all information known as of the date of signing this report regarding the following:

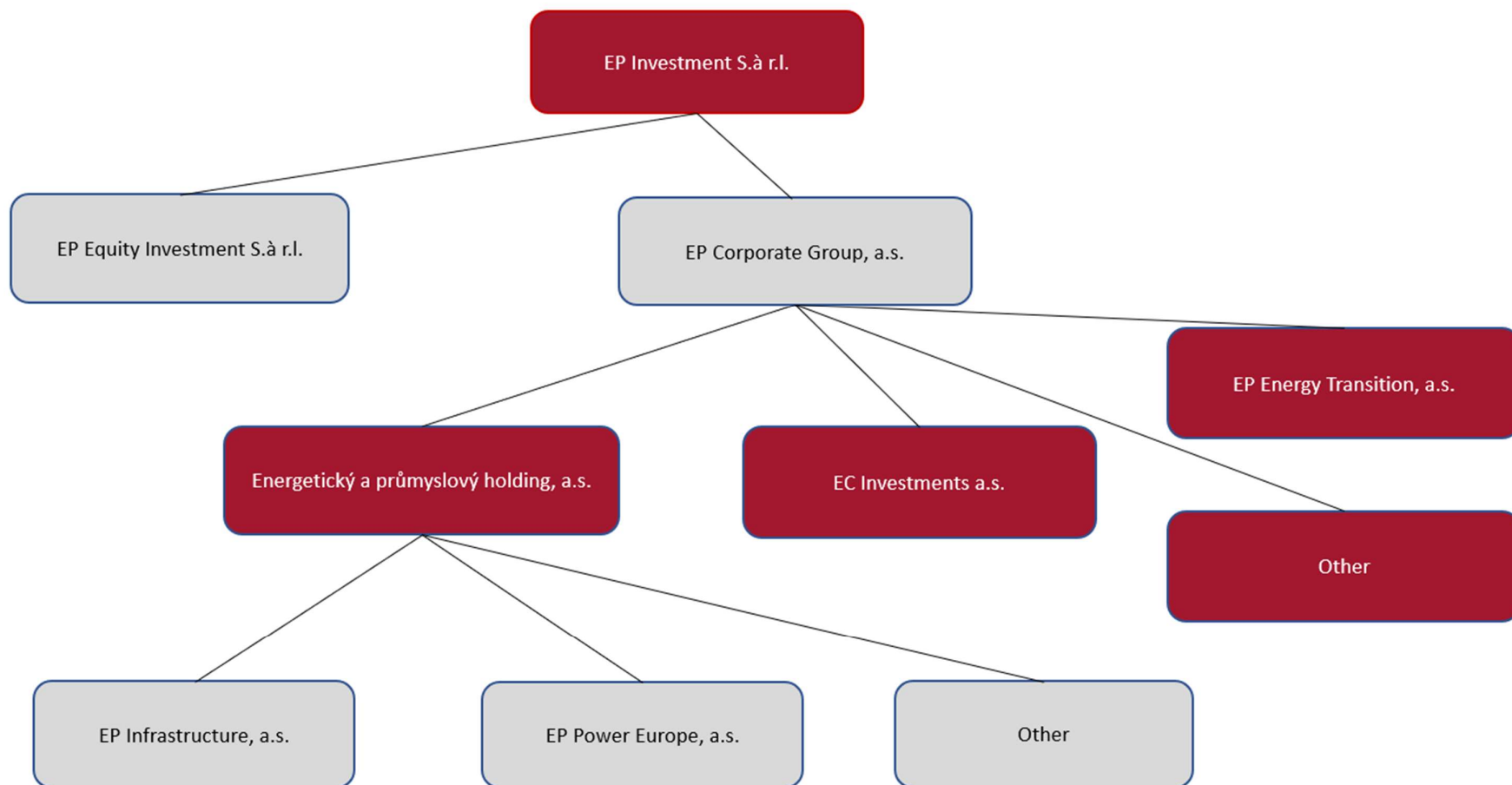
- agreements between related entities;
- supplies and considerations provided to related entities;
- other juridical acts made in the interest of these entities;
- all measures adopted or effected in the interest or at the initiative of these entities.

All transactions between EP Power Europe, a.s. and the controlling entity or entities controlled by the same entity were concluded at arm's length conditions. The Board of Directors of EP Power Europe, a.s. also declares that EP Power Europe, a.s. has not incurred any damage from acts performed by the controlling entity or entities controlled by the same entity. All transactions between the controlled entity and the controlling entity or entities controlled by the same controlling entity were performed based on the arm's length principle. EP Power Europe, a.s. has not incurred any damage or loss nor has it generated any financial advantage or disadvantage from contractual relations or any other relations with related entities.

Prague, 23 February 2024

  
Marek Spurný  
Vice-Chairman of the Board of Directors

  
Pavel Horský  
Vice-Chairman of the Board of Directors



#### **4. CONSOLIDATED AUDIT REPORT**

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder of EP Power Europe, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

#### Opinion

We have audited the accompanying consolidated financial statements of EP Power Europe, a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards (IFRS® Accounting Standards) adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated and standalone financial statements is, in all material respects, consistent with the consolidated and standalone financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

## Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 3 May 2024

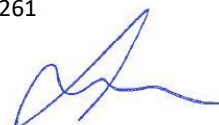
Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Ladislav Šauer  
registration no. 2261



## **5. CONSOLIDATED FINANCIAL STATEMENTS**

**EP Power Europe, a.s.**

**Consolidated Financial Statements**  
**as of and for the year ended 31 December 2023**



## Content

Consolidated statement of comprehensive income .....	3
Consolidated statement of financial position .....	4
Consolidated statement of changes in equity .....	5
Consolidated statement of cash flows .....	7
Notes to the consolidated financial statements .....	9
1. Background .....	9
2. Basis of preparation .....	11
3. Material accounting policies .....	15
4. Determination of fair values .....	34
5. Acquisitions and disposals of subsidiaries, joint ventures, joint operations and associates .....	36
6. Revenues .....	42
7. Purchases and consumables .....	43
8. Services .....	43
9. Personnel expenses .....	44
10. Emission rights .....	44
11. Other operating income (expense), net .....	45
12. Net finance income (expense) .....	46
13. Income tax expenses .....	47
14. Property, plant and equipment .....	50
15. Intangible assets (including goodwill) .....	53
16. Equity accounted investees .....	55
17. Deferred tax assets and liabilities .....	58
18. Inventories .....	61
19. Trade receivables and other assets .....	61
20. Cash and cash equivalents .....	62
21. Equity .....	63
22. Non-controlling interest .....	65
23. Loans and borrowings .....	67
24. Provisions .....	71
25. Deferred income .....	75
26. Financial instruments .....	76
27. Trade payables and other liabilities .....	80
28. Commitments and contingencies .....	81
29. Leases .....	82
30. Risk management policies and disclosures .....	83
31. Related parties .....	104
32. Litigations and claims .....	105
33. Subsequent events .....	106
Appendix 1 – Business combinations .....	108
Appendix 2 – Group entities .....	112

## Consolidated statement of comprehensive income

For the year ended 31 December 2023

In millions of EUR ("MEUR")

	Note	2023	2022
<b>Revenues</b>	6	<b>20,467</b>	<b>33,608</b>
<b>Purchases and consumables</b>	7	<b>(15,406)</b>	<b>(28,216)</b>
<b>Subtotal</b>		<b>5,061</b>	<b>5,392</b>
Services	8	(621)	(477)
Personnel expenses	9	(433)	(378)
Depreciation, amortization and impairment	14, 15	(340)	(354)
Emission rights, net	10	(1,347)	(1,363)
Own work, capitalized		5	3
Other operating income (expense), net	11	(297)	(259)
<b>Profit from operations</b>		<b>2,028</b>	<b>2,564</b>
Finance income	12	177	68
Change in impairment on financial instruments and other financial assets	12	(9)	-
Finance expense	12	(192)	(198)
<b>Net finance income (expense)</b>		<b>(24)</b>	<b>(130)</b>
Share of profit of equity accounted investees, net of tax	16	767	800
Gain from disposal of subsidiaries, joint ventures, joint operations and associates	5	96	-
<b>Profit before income tax</b>		<b>2,867</b>	<b>3,234</b>
Income tax expenses	13	(463)	(596)
<b>Profit for the year</b>		<b>2,404</b>	<b>2,638</b>
<b>Items that are not reclassified subsequently to profit or loss:</b>			
Fair value reserve included in other comprehensive income, net of tax	13	(43)	92
Share of the other comprehensive income of equity accounted investees, net of tax		-	14
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences from foreign operations	13	(39)	(38)
Effective portion of changes in fair value of cash-flow hedges, net of tax	13	(210)	586
Share of the other comprehensive income of equity accounted investees, net of tax		(17)	(465)
Share of the other comprehensive income of equity accounted investees reclassified to profit or loss on disposal, net of tax		53	-
<b>Other comprehensive income for the year, net of tax</b>		<b>(256)</b>	<b>189</b>
<b>Total comprehensive income for the year</b>		<b>2,148</b>	<b>2,827</b>
<b>Profit attributable to:</b>			
Owners of the Company		2,387	2,613
Non-controlling interest	22	17	25
<b>Profit for the year</b>		<b>2,404</b>	<b>2,638</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		2,131	2,798
Non-controlling interest	22	17	29
<b>Total comprehensive income for the year</b>		<b>2,148</b>	<b>2,827</b>

The notes presented on pages 9 to 117 form an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at 31 December 2023

In millions of EUR ("MEUR")

	Note	2023	2022
<b>Assets</b>			
Property, plant and equipment	14	2,633	1,962
Intangible assets and goodwill	15	384	286
Investment property		20	18
Equity accounted investees	16	92	1,132
Restricted cash		22	17
Financial instruments and other financial assets	26	390	753
<i>of which loans to shareholders</i>		-	279
Trade receivables and other assets	19	413	387
Prepayments and other deferrals		2	4
Deferred tax assets	17	243	245
<b>Total non-current assets</b>		<b>4,199</b>	<b>4,804</b>
Inventories, extracted minerals and mineral products	18	698	1,001
Trade receivables and other assets	19	4,523	4,842
Financial instruments and other financial assets	26	4,644	6,754
<i>of which loans to shareholders</i>		1,627	830
Prepayments and other deferrals		88	113
Current income tax receivable	13	104	72
Restricted cash		32	20
Cash and cash equivalents	20	1,279	1,243
<b>Total current assets</b>		<b>11,368</b>	<b>14,045</b>
<b>Total assets</b>		<b>15,567</b>	<b>18,849</b>
<b>Equity</b>			
Share capital	21	946	946
Reserves	21	(312)	(98)
Retained earnings		4,435	3,836
<b>Total equity attributable to equity holders</b>		<b>5,069</b>	<b>4,684</b>
Non-controlling interest	22	131	96
<b>Total equity</b>		<b>5,200</b>	<b>4,780</b>
<b>Liabilities</b>			
Loans and borrowings	23	1,169	301
<i>of which owed to shareholders</i>		855	166
Financial instruments and financial liabilities	26	171	481
Provisions	24	1,170	997
Deferred tax liabilities	17	237	238
Trade payables and other liabilities	27	17	139
<b>Total non-current liabilities</b>		<b>2,764</b>	<b>2,156</b>
Trade payables and other liabilities	27	2,348	3,986
Contract liabilities		-	8
Loans and borrowings	23	1,248	1,148
<i>of which owed to shareholders</i>		1,185	921
Financial instruments and financial liabilities	26	2,239	4,572
Provisions	24	1,380	1,654
Deferred income	25	32	44
Current income tax liability	13	356	501
<b>Total current liabilities</b>		<b>7,603</b>	<b>11,913</b>
<b>Total liabilities</b>		<b>10,367</b>	<b>14,069</b>
<b>Total equity and liabilities</b>		<b>15,567</b>	<b>18,849</b>

The notes presented on pages 9 to 117 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2023

In millions of EUR (“MEUR”)	Note	Share capital	Attributable to owners of the Company						Retained earnings	Total	Non-controlling interest	Total Equity	
			Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Fair value reserve	Revaluation value reserve	Other capital reserves					Hedging reserve
Balance as at 1 January 2023 (A)		946	281	15	(28)	120	3	(908)	419	3,836	4,684	96	4,780
Total comprehensive income for the year:													
Profit or loss (B)		-	-	-	-	-	-	-	-	2,387	2,387	17	2,404
Other comprehensive income:													
Foreign currency translation differences for foreign operations	13, 21	-	-	-	(39)	-	-	-	-	-	(39)	-	(39)
Fair value reserve included in other comprehensive income, net of tax	13, 21	-	-	-	-	(43)	-	-	-	-	(43)	-	(43)
Effective portion of changes in fair value of cash-flow hedges, net of tax	13, 21	-	-	-	-	-	-	-	(210)	-	(210)	-	(210)
Share of the other comprehensive income of equity accounted investees, net of tax		-	-	-	-	-	-	-	(17)	-	(17)	-	(17)
Share of the other comprehensive income of equity accounted investees reclassified to profit or loss on disposal, net of tax		-	-	-	-	-	-	-	53	-	53	-	53
Total other comprehensive income (C)		-	-	-	(39)	(43)	-	-	(174)	-	(256)	-	(256)
Total comprehensive income for the year (D) = (B + C)		-	-	-	(39)	(43)	-	-	(174)	2,387	2,131	17	2,148
Contributions by and distributions to owners:													
Increase of share capital		-	-	-	-	-	-	-	-	-	-	2	2
Contributions to equity		-	67	-	-	-	-	-	-	-	67	-	67
Dividends to equity holders	22	-	-	-	-	-	-	-	-	(1,795)	(1,795)	(1)	(1,796)
Total contributions by and distributions to owners (E)		-	67	-	-	-	-	-	-	(1,795)	(1,728)	1	(1,727)
Changes in ownership interests in subsidiaries:													
Effect of changes in shareholdings on non-controlling interests	5	-	-	-	-	-	-	-	-	(17)	(17)	17	-
Effect of disposed entities	5	-	-	(2)	(12)	(11)	-	-	-	24	(1)	-	(1)
Total changes in ownership interests in subsidiaries		-	-	(2)	(12)	(11)	-	-	-	7	(18)	17	(1)
Total transactions with owners (F)		-	67	(2)	(12)	(11)	-	-	-	(1,788)	(1,746)	18	(1,728)
Balance as at 31 December 2023 (G) = (A + D + F)		946	348	13	(79)	66	3	(908)	245	4,435	5,069	131	5,200

The notes presented on pages 9 to 117 form an integral part of these consolidated financial statements.

**For the year ended 31 December 2022**

In millions of EUR (“MEUR”)	Note	Share capital	Attributable to owners of the Company							Retained earnings	Total	Non-controlling interest	Total Equity
			Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Reserves Fair value reserve	Revaluation value reserve	Other capital reserves	Hedging reserve				
<b>Balance as at 1 January 2022</b>		<b>905</b>	<b>200</b>	<b>12</b>	<b>4</b>	<b>10</b>	<b>3</b>	<b>(862)</b>	<b>295</b>	<b>1,556</b>	<b>2,123</b>	<b>77</b>	<b>2,200</b>
Adjustment on change of functional currency of the parent entity		41	11	1	6	7	-	(46)	4	(24)	-	-	-
Adjustment on initial application of IAS 37		-	-	-	-	-	-	-	-	(173)	(173)	-	(173)
<b>Adjusted balance as at 1 January 2022 (A)</b>		<b>946</b>	<b>211</b>	<b>13</b>	<b>10</b>	<b>17</b>	<b>3</b>	<b>(908)</b>	<b>299</b>	<b>1,359</b>	<b>1,950</b>	<b>77</b>	<b>2,027</b>
Total comprehensive income for the year:													
Profit or loss (B)		-	-	-	-	-	-	-	-	2,613	2,613	25	2,638
Other comprehensive income:													
Foreign currency translation differences for foreign operations	13, 21	-	-	-	(38)	-	-	-	-	-	(38)	-	(38)
Fair value reserve included in other comprehensive income, net of tax	13, 21	-	-	-	-	89	-	-	-	-	89	3	92
Effective portion of changes in fair value of cash-flow hedges, net of tax	13, 21	-	-	-	-	-	-	-	585	-	585	1	586
Share of the other comprehensive income of equity accounted investees, net of tax		-	-	-	-	14	-	-	(465)	-	(451)	-	(451)
<b>Total other comprehensive income (C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>185</b>	<b>4</b>	<b>189</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>2,613</b>	<b>2,798</b>	<b>29</b>	<b>2,827</b>
Contributions by and distributions to owners:													
Contribution to equity		-	70	-	-	-	-	-	-	-	70	-	70
Transfer to non-distributable reserve	21	-	-	2	-	-	-	-	-	(1)	1	-	1
Dividends to equity holders	22	-	-	-	-	-	-	-	-	(136)	(136)	(9)	(145)
<b>Total contributions by and distributions to owners (E)</b>		<b>-</b>	<b>70</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(137)</b>	<b>(65)</b>	<b>(9)</b>	<b>(74)</b>
Changes in ownership interests in subsidiaries:													
Effect of disposals through step acquisition	5	-	-	-	-	-	-	-	-	1	1	(1)	-
<b>Total changes in ownership interests in subsidiaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>(1)</b>	<b>-</b>
<b>Total transactions with owners (F)</b>		<b>-</b>	<b>70</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(136)</b>	<b>(64)</b>	<b>(10)</b>	<b>(74)</b>
<b>Balance as at 31 December 2022 (G) = (A + D + F)</b>		<b>946</b>	<b>281</b>	<b>15</b>	<b>(28)</b>	<b>120</b>	<b>3</b>	<b>(908)</b>	<b>419</b>	<b>3,836</b>	<b>4,684</b>	<b>96</b>	<b>4,780</b>

The notes presented on pages 9 to 117 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2023

In millions of EUR ("MEUR")

	Note	2023	2022
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		2,404	2,638
Adjustments for:			
Income tax expenses	13	463	596
Depreciation, amortization and impairment	14, 15	340	354
Dividend income		(3)	(6)
Change in impairment on financial instruments and other financial assets	12	9	-
Non-cash (gain) loss from commodity and freight derivatives, net	6	150	(1,524)
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets		1	(1)
(Gain) loss on disposal of inventories		(1)	-
Emission rights, net	10	1,347	1,363
Gain (loss) from disposal of subsidiaries, joint ventures, joint operations and associates	5(d)	(96)	-
Share of (profit) loss of equity accounted investees	16	(767)	(800)
(Gain) loss from financial instruments	12	(1)	94
Net interest expense	12	32	11
Change in allowance for impairment to inventories	11	63	87
Change in provisions		(19)	(22)
Unrealised exchange (gains) losses, net		(79)	(60)
<b>Operating profit before changes in working capital</b>		<b>3,843</b>	<b>2,730</b>
Change in trade receivables, other assets, prepayments and other deferrals and contract assets		1,447	(1,483)
Change in inventories		170	(590)
Purchase and sale of emission rights		(1,452)	(1,025)
Change in trade payables and other liabilities, deferred income and contract liabilities		(1,009)	1,847
Change in restricted cash		(17)	(15)
<b>Cash generated from (used in) operations</b>		<b>2,982</b>	<b>1,464</b>
Income taxes paid		(646)	(172)
<b>Cash flows generated from (used in) operating activities</b>		<b>2,336</b>	<b>1,292</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates and joint-ventures		5	9
Dividends received, other		1	1
Purchase of financial instruments		-	(20)
Loans provided to the owners		(1,435)	(4,298)
Loans provided to other entities		942	(29)
Repayment of loans provided to owners		-	3,813
Repayment of loans provided to other entities		-	9
Proceeds from sale/settlement of financial instruments		(4)	(57)
Acquisition of property, plant and equipment and intangible assets (including advances paid)		(631)	(555)
Proceeds from sale of property, plant and equipment and intangible assets		9	2
Acquisition of subsidiaries, associates and joint ventures, net of cash acquired	5	(458)	(15)
(Increase) decrease in participation in existing subsidiaries, associated and joint-ventures		2	(2)
Interest received		33	26
<b>Cash flows from (used in) investing activities</b>		<b>(1,534)</b>	<b>(1,116)</b>

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2023

In millions of EUR ("MEUR")

	Note	2023	2022
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans received	23	2,871	2,927
Repayment of loans	23	(2,490)	(3,449)
Contribution to equity from shareholders	21	7	62
Payment of lease liability	29, 23	(34)	(39)
Interest paid	23	(99)	(27)
Dividends paid to associates and joint ventures		-	(14)
Dividends paid to the owners of the Company	21	(1,021)	(137)
<b>Cash flows from (used in) financing activities</b>		<b>(766)</b>	<b>(677)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>36</i>	<i>(501)</i>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,243</b>	<b>1,741</b>
Effect of exchange rate fluctuations on cash held		-	3
<b>Cash and cash equivalents at end of the year</b>		<b>1,279</b>	<b>1,243</b>

The notes presented on pages 9 to 117 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1. Background

EP Power Europe, a.s. (the “Parent Company” or “the Company” or “EPPE”) is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded on 13 July 2008 and acquired by Energetický a průmyslový holding, a.s. (“EPH”) as an empty shell company on 13 April 2016.

The main activities of the EPPE Group are corporate investments in the power generation, commodity trading and mining sectors.

The consolidated financial statements of the Company for the year ended 31 December 2023 comprise the statements of the Parent Company and its subsidiaries (together referred to as the “Group” or “EPPE Group”) and the Group’s interests in associates, joint ventures and joint operations. The Group entities are listed in Appendix 2.

The shareholder of the Company as at 31 December 2023 was as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
Energetický a průmyslový holding, a.s.	946	100.00	100.00
<b>Total</b>	<b>946</b>	<b>100.00</b>	<b>100.00</b>

The shareholder of the Company as at 31 December 2022 was as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
Energetický a průmyslový holding, a.s.	946	100.00	100.00
<b>Total</b>	<b>946</b>	<b>100.00</b>	<b>100.00</b>

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2023 were as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	90	56.00 + 1 share	56.00 + 1 share
J&T ENERGY HOLDING, a.s.	71	44.00 - 1 share	44.00 - 1 share
<b>Total</b>	<b>161</b>	<b>100.00</b>	<b>100.00</b>

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2022 were as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	90	56.00 + 1 share	56.00 + 1 share
J&T ENERGY HOLDING, a.s.	71	44.00 - 1 share	44.00 - 1 share
<b>Total</b>	<b>161</b>	<b>100.00</b>	<b>100.00</b>

The members of the Board of Directors as at 31 December 2023 were:

- JUDr. Daniel Křetínský (Chairman of the Board of Directors)
- Mgr. Marek Spurný (Vice-Chairman of the Board of Directors)
- Mgr. Ing. Tomáš David (Vice-Chairman of the Board of Directors)
- Mgr. Pavel Horský (Vice-Chairman of the Board of Directors)
- Ing. Jan Špringl (Vice-Chairman of the Board of Directors)
- Ing. Jiří Feist (Member of the Board of Directors)
- Ing. Tomáš Novotný (Member of the Board of Directors)
- Leif Timmermann (Member of the Board of Directors)
- Ing. Filip Bělák (Member of the Board of Directors)
- Gary Wheatley Mazzoti (Member of the Board of Directors)



- Miroslav Haško (Member of the Board of Directors)
- Peter Černák (Member of the Board of Directors)

As the Company was established under the common control principle by its sole shareholder Energetický a průmyslový holding, a.s., the Company opted to report the entities sold to the Company by EPH as if sold by EPH on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group (refer to Note 3 – Material Accounting Policies).

## **2. Basis of preparation**

### **(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS® Accounting Standards) adopted by the European Union.

The consolidated financial statements were approved by the Board of Directors on 3 May 2024.

### **(b) Basis of measurement**

The consolidated financial statements have been prepared on a going-concern basis using the historical cost method, except for the following material items in the statement of financial position, which are measured at fair value:

- gas inventories for trading at fair value less cost to sell;
- investment properties;
- derivative financial instruments;
- non-derivative financial instruments at fair value through profit or loss;
- financial instruments at fair value through other comprehensive income.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The accounting policies described in the following paragraphs have been consistently applied by the Group entities and between accounting periods.

### **(c) Recent development and key events for the Group**

In the context of the ongoing military invasion in the territory of Ukraine and associated sanctions targeting the Russian Federation, the Parent Company has identified risks and adopted appropriate measures to mitigate impacts on Group's business activities. Based on the information available and current developments, the Parent Company's management has been continuously analysing the situation and assessing its direct impact on the Group. The Parent Company's management has assessed the potential impacts of this situation on Group's operations and concluded that they do not currently have a material impact on 2023 financial statements or going concern assumption in 2024. However, further negative developments as regards this situation cannot be ruled out, which could subsequently have a material negative impact on the Company, its businesses, financial condition, results, cash flows and overall outlook.

### **(d) Functional and presentation currency**

The Company's functional currency is Euro („EUR“). The consolidated financial statements are prepared in Euro, which is also the Group's presentation currency. All financial information presented in Euros has been rounded to the nearest million.

### **(e) Use of estimates and judgements**

The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***i. Assumptions and estimation uncertainties***

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the following years is included in the following notes:

- Notes 5, 14 and 15 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill;
- Note 6 – revenues;
- Note 18 – measurement of inventories for trading at fair value less cost to sell;
- Note 24 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 23, 26 and 30 – valuation of loans and borrowings and financial instruments;
- Note 32 – litigations.

#### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control Framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS Accounting Standards, including the level in the fair value hierarchy in which such valuation should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different level of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### ***ii. Judgements***

Information about judgements made in the application of accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 5 and 15 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill;
- Note 6 – judgements relating to recognition of revenues from customers;
- Note 5 and 22 – information relating to assessment of the control over the subsidiaries;
- Note 24 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 26 – own use exemption application for forward contracts on power and CO2 emission allowances;
- Note 26 and 30 – hedge accounting application;
- Note 27 – classification of transactions which contain a financing element.

**(f) Recently issued accounting standards**

***i. Newly adopted IFRS Accounting Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2023 that have been applied in preparing the Group's financial statements***

The following paragraphs provide a summary of the key requirements of IFRS Accounting Standards that are effective for annual periods beginning on or after 1 January 2023 and that have thus been applied by the Group for the first time.

**Amendments to IAS 12 – Deferred tax Related to Assets and Liabilities arising from a Single Transaction**

The amendment modifies an exemption from the initial recognition of deferred tax asset and liability arising from a single transaction that is not a business combination and does not impact accounting and taxable profit. For transactions in which equal deductible and taxable temporary differences arise (e.g. leases and decommissioning liabilities and assets), the entity is required to recognize deferred tax asset and liability and initial recognition exemption does not apply.

The Group has adopted Amendment to IAS 12 from 1 January 2023. For leases and decommissioning items, the Group is required to recognize associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented (i.e. 1 January 2022), with any cumulative effect recognized in retained earnings. There was no impact on the statement of financial position because the balances qualify for offset under IAS 12 and therefore no impact on the retained earnings as at 1 January 2022. The impact of the amendment to the detailed disclosure of deferred tax assets and liabilities was immaterial.

**Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules**

The amendment introduces a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and disclosure requirements for affected entities. Entities do not recognize deferred tax assets and liabilities related to the OECD Pillar Two income taxes and no disclosure about these deferred taxes is required. In period(s) in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, entities disclose known or reasonably estimable information to help users understand the entity's exposure to Pillar Two income taxes arising from the legislation. The amendment is applicable immediately upon issue and disclosure requirements are applicable for annual periods beginning on or after 1 January 2023.

The amendment has had an impact on the disclosure in the notes to the consolidated financial statements of the Group. Refer to Note 13 – Income tax expenses for more details.

**Newly adopted IFRS Accounting Standards, Amendments to standards and Interpretations with no material impact on the Group's financial statements:**

- IFRS 17 Insurance Contracts and Amendment to IFRS 17;
- Amendments to IFRS 17 Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendments to IAS 8 – Definition of Accounting Estimates.

***ii. IFRS Accounting Standards not yet effective***

At the date of authorisation of these consolidated financial statements, the following significant Amendments to IFRS Accounting Standards have been issued but are not yet effective for the period ended 31 December 2023 and thus have not been adopted by the Group:

**Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Effective for annual reporting periods beginning on or after 1 January 2024)**

The amendment Classification of Liabilities as Current or Non-current clarifies how to classify debt and other liabilities as current or non-current and how to determine whether in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment includes clarifying the

classification requirements for debt a company might settle by converting it into equity. The amendment Non-current Liabilities with Covenants improves the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The Group is currently reviewing possible impact of the amendments to its financial statements.

**Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback (Effective for annual reporting periods beginning on or after 1 January 2024)**

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted as a sale. The seller-lessee subsequently measures lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The Group is currently reviewing possible impact of the amendments to its financial statements.

**Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements (Effective for annual reporting periods beginning on or after 1 January 2024 (not adopted by EU yet))**

The amendments require entities to provide additional disclosures about its supplier finance arrangements to enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and the entity's exposure to liquidity risk.

The Group is currently reviewing possible impact of the amendments to its financial statements.

**Amendments to IAS 21 – Lack of Exchangeability (Effective for annual reporting periods beginning on or after 1 January 2025 (not adopted by EU yet))**

Under the amendments, the entities are required to apply a consistent approach to assessing whether a currency is exchangeable into another currency. When a currency is not exchangeable, the amendments define how to determine the exchange rate to use and the disclosures the entity is required to provide.

The Group is currently reviewing possible impact of the amendments to its financial statements.

**IFRS 18 Presentation and Disclosure in Financial Statements (Effective for annual reporting periods beginning on or after 1 January 2027 (not adopted by EU yet))**

The new IFRS Accounting Standard replaces IAS 1 Presentation and disclosure of Financial Statements and makes consequential amendments to other IFRS Accounting Standards. The objective is to improve how information is communicated in the financial statements, with a focus on information in the statement of profit or loss, enhance transparency of management-defined performance measures and provide more useful grouping of information in the financial statements.

The Group has started to review possible impact of the amendments to its financial statements.

The Group has not early adopted any amendments to IFRS Accounting Standards where adoption is not mandatory at the reporting date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the Standards prospectively from the date of transition.

### **3. Material accounting policies**

The EPPE Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except as described in Note 2(f) and 3(a).

Certain comparative amounts in the consolidated statement of financial position have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

#### **(a) Changes in accounting policies and terminology**

##### **Revenue cap**

Expenses related to revenue cap are reported in income statement as a part of expenses within line item in Purchases and consumables. Liability arising from revenue cap contributions is reported as a liability from other taxes.

##### **Interest in joint operations**

Since financial year 2023, EPPE Group has been also involved in joint operations. A joint operation is an arrangement in which the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

On a date a joint control over a joint operation arises, the Group applies acquisition method as defined by IFRS 3 and measures its assets and liabilities in a joint operation (including its share of any assets and liabilities held jointly) at fair values as at the date the joint control commences. Purchase price or any form of consideration transferred is also measured at fair value. Acquisition related costs are recognized in profit or loss as incurred.

Excess of the consideration transferred over the Group's share of fair value of the net identifiable assets of the joint operation is recognized as goodwill. If the Group's share of the fair value of identifiable assets and liabilities exceeds the consideration transferred, the excess is recognized in profit and loss in the period the joint control arises.

When the Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets and liabilities (including its share of any assets and liabilities held jointly);
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses (including its share of any expenses incurred jointly).

When a Group entity transacts with a joint operation in which a Group entity is a joint operator, the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statement only to the extent of other parties' interests in the joint operation.

The financial statements of joint operations are included in the consolidated financial statements from the date that joint control commences until the date that joint control ceases. On disposal, when the significant risks and rewards of ownership have been transferred to the buyer, gain or loss from the sale of investments in joint operation is recognised in profit or loss and included in line item "Gain (loss) from disposal of subsidiaries, joint ventures, joint operations and associates".

##### **Changes in presentation in statement of cash flows**

In 2023, the Group changed presentation in consolidated statement of cash flows as follows:

- interest paid is presented within financing activities, instead of operating activities;
- purchases and sales of emission rights are presented within operating activities on a net basis in line item „Purchase and sale of emission rights“, instead of investing activities on a gross basis.

Comparative information has been adjusted accordingly.

**(b) Basis of consolidation**

***i. Subsidiaries***

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over the investee, exposure to variable returns from its involvement with the investee and is able to use its power over investee to affect the amount of its returns. The existence and effect of potential voting rights that are substantive is considered when assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

***ii. Equity accounted investees***

Associates are enterprises in which the Group has significant influence, but not control, over financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost. Acquisition related costs are recognized in cost of the investment. Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment; any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The consolidated financial statements include the Group's share of the total profit or loss and other comprehensive income of associates from the date that the significant influence commences until the date that the significant influence ceases. When the Group's share of losses, including Group's share of negative other comprehensive income, exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses or further negative other comprehensive income is discontinued, except to the extent that the Group has incurred obligations in respect of or has made payments on behalf of the associate.

***iii. Accounting for business combinations***

The Group acquired its subsidiaries in two ways:

- As a business combination transaction within the scope of IFRS 3 which requires initial measurement of assets and liabilities at fair value.
- As a business combination under common control which is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such acquisitions are excluded from the scope of IFRS 3. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements (i.e. value at cost as at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or negative goodwill was recognised on these acquisitions.

***Acquisition method and purchase price allocation***

As at the acquisition date the Group measures identifiable assets acquired and the liabilities assumed at fair value, with the exception of deferred tax assets and liabilities, assets or liabilities related to employee benefits and assets/disposal groups classified as held for sale under IFRS 5, which are recognized and measured in accordance with the respective standards.

Purchase price or any form of consideration transferred in a business combination is also measured at fair value. Contingent consideration is measured at fair value at the date of acquisition and subsequently remeasured at fair value at each reporting date, with changes in fair value recognized in profit or loss.

Acquisition related costs are recognized in profit or loss as incurred.

**iv. *Non-controlling interests***

Acquisitions of non-controlling interest are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill and no gain or loss is recognised as a result of such transactions.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at acquisition date.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transaction.

**v. *Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**vi. *Unification of accounting policies***

The accounting policies and procedures applied by the consolidated companies in their financial statements were unified in the consolidation and are aligned with the accounting policies applied by the Parent Company.

**vii. *Pricing differences***

The Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired entities and its subsidiaries and associates were under common control of Energetický a průmyslový holding, a.s. they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the consideration paid by the EPPE Group and carrying values of net assets of the acquiree and original goodwill carried forward as at the date of acquisition by the EPPE Group were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in equity.

**viii. *Reversal of accumulated amortisation, depreciation and bad debt allowances in common control acquisitions***

Accumulated amortisation and depreciation of intangible and tangible assets acquired as part of a common control transaction were reversed against the gross carrying amount of the underlying intangible and tangible assets, i.e. the intangible and tangible assets were recognised at their net book values as at acquisition date.

Similarly, in acquisitions involving common control transactions, any bad debt allowances were reversed against gross amounts of purchased receivables as at acquisition date.

**ix. *Disposal of subsidiaries, joint operations and equity accounted investees***

Gain or loss from disposal of investments in subsidiaries, joint operations and equity accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

If the assets and liabilities are disposed by selling the interest in a subsidiary, a joint venture, a joint operation or an associate, the profit or loss from sale is recognised in total under Gain/(loss) from disposal of subsidiaries, joint ventures, joint operations and associates in the statement of comprehensive income.



If the Group disposes of a subsidiary that was acquired under a common control transaction and pricing differences were recognised on acquisition (refer to Note 3(b) vii – Pricing differences), pricing differences are reclassified from other capital reserves to retained earnings at the date of the subsidiary's disposal.

**(c) Foreign currency**

***i. Foreign currency transactions***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Company's functional currency is Euro. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate at the transaction date. The consolidated financial statements are prepared and presented in Euro, which is both the functional and the presentation currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the respective functional currencies of Group entities at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies at the foreign exchange rates at the dates the fair values are determined.

Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of FVOCI equity instruments or qualifying cash flow hedges to the extent that the hedge is effective, in which case foreign exchange differences arising on retranslation are recognised in other comprehensive income.

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 30 – Risk management policies and disclosures.

***ii. Translation of foreign operations***

These consolidated financial statements are prepared in Euro, which is also the Group's presentation currency. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Euro at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro using average exchange rate for the period. For significant transactions the exact foreign exchange rate is used.

Foreign exchange differences arising on translation of foreign operations are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. At disposal, relevant part of translation reserve is recycled to income statement and included in gain(loss) from disposal of subsidiaries, joint ventures, joint operations and associates in the consolidated statement of comprehensive income.

**(d) Non-derivative financial assets**

***i. Classification***

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income – debt instrument, fair value through other comprehensive income – equity instrument or fair value through profit or loss. The classification of financial asset is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at *amortized cost* if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. Loans and receivables which meet SPPI test and business model test are normally classified by the Group as financial asset at amortised cost.

A *debt instruments* are measured *at fair value through other comprehensive income* if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI test”).

The Group may make an irrevocable election at initial recognition for particular investments in *equity instruments* that would otherwise be measured at fair value through profit or loss (as described below) and are not held for trading to present subsequent changes in fair value in other comprehensive income. The Group has equity securities classified as financial assets *at fair value through other comprehensive income*.

All investments in equity instruments and contracts on those instruments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represent the best estimate of fair value within that range. The Group uses all information about the performance and operations of the investee that becomes available after the date of initial recognition. To the extent that any such relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the Group uses use fair value. Cost is never the best estimate of fair value for investments in quoted instruments.

A financial asset is measured at *fair value through profit or loss* unless it is measured at amortised cost or at fair value through other comprehensive income. The key type of financial assets measured at fair value through profit or loss by the Group are derivatives.

The Group may, at initial recognition, irrevocably designate a financial asset, that would be measured at amortized cost or at FVOCI, as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

## **ii. Recognition**

Financial assets are recognised on the date the Group becomes party to the contractual provision of the instrument.

## **iii. Measurement**

Upon initial recognition, financial assets are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instrument. Attributable transaction costs relating to financial assets measured at fair value through profit or loss are recognised in profit or loss as incurred. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

Financial assets at FVtPL are subsequently measured at fair value, with net gains and losses, including any dividend income, recognised in profit or loss.

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and reclassified to profit or loss upon derecognition of the asset.

Equity instruments at FVOCI are subsequently measured at fair value. Dividends are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest rate method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

**iv. Derecognition**

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

**v. Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

**(e) Non-derivative financial liabilities**

The Group has the following non-derivative financial liabilities: loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. Such financial liabilities are initially recognised at the settlement date at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit and loss, where transaction costs are recognised in profit or loss as incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate, except for financial liabilities at fair value through profit or loss. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

Transactions for the purchase of commodities may contain a financing element such as extended payment terms. Such items are presented as trade payables if the financing element is significant, payment terms are consistent with supply terms commonly provided in the market and the financing period does not exceed 90 days after the physical supply of the commodity.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

**(f) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity risk exposures.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

**Trading derivatives**

When a derivative financial instrument is held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

**Separable embedded derivatives**

Financial and non-financial contracts that are financial liabilities within the scope of IFRS 9 (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. In the case of hybrid contracts where host contracts are financial assets the whole contract is assessed with respect to SPPI criteria.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

### ***Cash flow hedges and fair value hedges***

The financial derivatives, which do not meet the criteria for hedge accounting as stated by IFRS 9 are classified as for trading and related profit and loss from changes in fair value is recognised in profit and loss.

Hedging instruments which consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

In the case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss. In case the future transaction is still expected to occur then the balance remains in equity and is recycled to profit or loss when the hedged transaction impacts profit or loss.

In the case of a fair value hedge, the hedged item is remeasured for changes in fair value attributable to the hedged risk during the period of the hedging relationship. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognised in profit or loss, except for the financial asset – equity instrument at FVOCI, for which the gain or loss is recognised in other comprehensive income.

In the case of a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss.

### ***Transactions with emission rights and energy***

According to IFRS 9, certain contracts for emission rights and energy fall into the scope of the standard. Purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended for consumption or sale as part of its ordinary business. Such contracts are thus excluded from the scope of IFRS 9.

In particular, forward purchases and sales settled by delivery of the underlying are considered to fall outside the scope of application of IFRS 9, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- delivery of the underlying takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- the Group does not have a practice of settling similar contracts net in cash or another financial instrument or by exchanging financial instrument;
- the Group does not have a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuation in price or dealer's margin.

Contracts which do not meet above mentioned conditions fall under the scope of IFRS 9 and are accounted for in line with the requirements of IFRS 9. When for similar contracts the Group has practice of net settlement, a two-book structure and a strict separation of own-use book and trading book is applied.

For each contract where own-use exemption applies, the Group determines whether the contract leads to physical settlement in accordance with Group's expected purchase, sale or usage requirements. The Group considers all relevant factors including the quantities delivered under the contract and the corresponding requirements of the entity, the delivery locations, the duration between contract signing and delivery and the existing procedure followed by the entity with respect to contracts of this kind.

Contracts which fall under the scope of IFRS 9 are carried at fair value with changes in the fair value recognised in profit or loss.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturities of three months or less.

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Purchased inventory and inventory in transit are initially stated at cost, which includes the purchase price and other directly attributable expenses incurred in acquiring the inventories and bringing them to their current location and condition. Inventories of a similar nature are valued using the weighted average method except for the energy production segment, where the first-in, first-out principle is used.

Internally manufactured inventory and work in progress are initially stated at production costs. Production costs include direct costs (direct material, direct labour and other direct costs) and part of overhead directly attributable to inventory production (production overhead). The valuation is written down to the net realisable value if the net realisable value is lower than production costs.

Inventories used for trading purposes are recognized at fair value less cost to sell. Changes in value are recognized in consolidated income statement in the year in which they occur.

**(i) Impairment**

**i. Non-financial assets**

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (h) – Inventories), investment properties (refer to accounting policy (l) – Investment property) and deferred tax assets (refer to accounting policy (r) – Income taxes) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU or CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

**ii. Financial assets (including trade and other receivables and contract assets)**

The Group measures loss allowances using expected credit loss (“ECL”) model for financial assets at amortized cost, debt instruments at FVOCI and contract assets. Loss allowances are measured on either of the following bases:

- 12-month ECLs: ECLs that result from possible default events within the 12 months after the reporting date;
- lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

Financial assets are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchased or originated credit-impaired financial assets (“POCI”). At the date of the initial recognition, the financial asset is included in Stage I or POCI. Subsequent to initial recognition, financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III of the financial asset has been credit-impaired.

The Group assumes that the credit risk on a financial asset has increased significantly if:

- (a) a financial asset or its significant portion is overdue for more than 30 days;
- (b) the Group negotiates with the debtor in a financial difficulty about debt’s restructuring;
- (c) the probability of default (PD) of the debtor increases by 20%; or
- (d) other material events occur which require individual assessment (e.g., development of external ratings of sovereign credit risk).

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred (e.g. a financial asset is overdue for more than 90 days, insolvency or similar proceedings have been initiated with the debtor, the probability of default of the borrower increases by 100% compared to the previous rating).

For the purposes of ECL calculation, the Group uses components needed for the calculation, namely probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). Forward-looking information means any macroeconomic factor projected for future, which has a significant impact on the development of credit losses ECLs are present values of probability-weighted estimate of credit losses. The Group considers mainly expected growth of gross domestic product, reference interest rates, stock exchange indices or unemployment rates.

*Presentation of loss allowances*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

**iii. Equity accounted investees**

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**(j) Property, plant and equipment**

**i. Owned assets – cost model**

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (i) – Impairment). Opening balances are presented at net book values, which include adjustments from revaluation within the Purchase Price Allocation process (refer to accounting policy (b) iii – Basis of consolidation – Accounting for business combinations).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (q) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

**ii. Subsequent costs**

Subsequent costs are capitalised only if it is probable that the future economic benefits embodied in an item of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

**iii. Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

• Power plant buildings and structures	7 – 100 years
• Buildings and structures	7 – 80 years
• Machinery, electric generators, gas producers, turbines and boilers	7 – 50 years
• Mines and mine property	15 – 30 years
• Machinery and equipment	4 – 40 years
• Fixtures, fittings and others	3 – 20 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date. For companies acquired under IFRS 3 for which a purchase price allocation was prepared, the useful lives are reassessed based on the purchase price allocation process.

**(k) Intangible assets**

**i. Goodwill and intangible assets acquired in a business combination**

Goodwill represents the excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets of the acquired subsidiary/associate/joint venture/joint operation at the date of acquisition. Goodwill on acquisitions of subsidiaries/joint operations is included under

intangible assets. Goodwill on acquisitions of associates/joint ventures is included in the carrying amount of investments in associates/joint ventures.

If the Group's share in the fair value of identifiable assets and liabilities of a subsidiary or equity accounted investees as at the acquisition date exceeds the acquisition cost, the Group reconsiders identification and measurement of identifiable assets and liabilities, and the acquisition cost. Any excess arising on the re-measurement (negative goodwill) is recognised in profit and loss account in the period of acquisition.

Upon acquisition of non-controlling interests (while maintaining control), no goodwill is recognised.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to accounting policy (i) – Impairment) and is tested annually for impairment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less any impairment losses (refer to accounting policy (i) – Impairment). Intangible assets with a definite useful life are amortised over their useful lives and are recorded at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i) – Impairment).

## ***ii. Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

In 2023 and 2022, expenditures incurred by the Group did not meet these recognition criteria. Development expenditure has thus been recognised in profit or loss.

## ***iii. Emission rights***

### *Recognition and measurement*

Emission rights issued by a government are initially recognised at fair values. Where an active market exists, fair value is based on the market price. The fair value for allocated emission rights is determined as the price at the date of allocation. Emission rights that are purchased are initially recognised at cost.

Internally generated emission allowances (in form of green certificates) obtained from qualifying generation assets are recognized as generation occurs, when it is probable that the expected future economic benefits attributable to them will flow to the Group and their cost can be measured reliably.

Subsequently, emission rights are accounted for under the cost method under intangible assets.

The Group's accounting policy is to use the first-in, first-out principle ("FIFO") for emission rights disposal (consumption or sale).

### *Impairment of emission rights*

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired.

Where an impairment indicator exists, the Group reviews the recoverable amounts of the cash generating unit, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. In case the carrying value of a cash generating unit is greater than its recoverable value, impairment exists.

Any identified emission rights impairment is recognised directly as a debit to a profit or loss account and a credit to a valuation adjustment.



### *Recognition of grants*

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission allowances. The release of deferred income to a profit and loss account is performed on a quarterly basis; any subsequent update to the estimate of total annual pollutants is taken into account during the following monthly or quarterly assessment. Any disposals of certificates or changes in their carrying amount do not affect the manner in which grant income is recognised.

### *Recognition, measurement of provision*

A provision is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted.

It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It means that the provision is measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, by using a FIFO method. The group companies identify (in each provision measurement period) which of the certificates are “marked for settling” the provision and this allocation is consistently applied.

Otherwise, if a shortfall of emission rights on hand as compared to the estimated need exists at the reporting date, then the provision for the shortfall is recorded based on the current market value of the emission certificates at the end of the reporting period.

### **iv. Software and other intangible assets**

Software and other intangible assets acquired by the Group that have definite useful lives are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i) – Impairment).

Intangible assets that have an indefinite useful life are not amortised and are instead tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

### **v. Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

- |   |              |
|---|--------------|
| • Software                                  | 2 – 7 years  |
| • Customer relationship and other contracts | 2 – 20 years |
| • Other intangible assets                   | 2 – 20 years |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## **(l) Investment property**

Investment property is property held by the Group either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment property is measured at fair value. For measurement policy of investment property refer to Note 4(c). Any gain or loss arising from a change in fair value is recognised in profit or loss.

## **(m) Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are recognised at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts, if the effect of discount is material, using as a discount rate the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss in finance costs.

The effects of changes in interest rates, inflation rates and other factors are recognised in profit or loss in operating income or expenses. Changes in estimates of provisions can arise in particular from deviations from originally estimated costs, from changes in the settlement date or in the scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss at the date of the change in estimate (see below).

***i. Employee benefits***

**Long-term employee benefits**

Liability relating to long-term employee benefits and service awards excluding pension plans is defined as an amount of the future payments, to which employees will be entitled in return for their service in the current and prior periods. Future liability which is calculated using the projected unit credit method is discounted to its present value. The discount rate used is based on yields of high-quality corporate bonds as at the end of the reporting period, which maturity approximately corresponds with the maturity of the future obligation. The revaluation of the net liability from long-term employee benefits and service awards (including actuarial gains and losses) is recognised in full immediately in other comprehensive income.

Contributions for pension insurance resulting from Collective agreement are expensed when incurred.

***Pension plans***

In accordance with IAS 19, the projected unit credit method is the only permitted actuarial method. The benchmark (target value) applied to measure defined benefit pension obligations is the present value of vested pension rights of active and former employees and beneficiaries (present value of the defined benefit obligation). It is in general assumed that each partial benefit of the pension commitment is earned evenly from commencement of service until the respective due date.

If specific plan assets are established to cover the pension payments, these plan assets can be netted against the pension obligations and only the net liability is shown. The valuation of existing plan assets is based on the fair value at the balance sheet date in accordance with IAS 19.

Assets used to cover pension obligations that do not fully meet the requirement of plan assets have to be carried as assets on the balance sheet. Any netting off against the liability to be covered will not apply in this respect.

The Group recognises all actuarial gains and losses arising from benefit plans immediately in other comprehensive income and all expenses related to the defined benefit plan in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not been previously recognised.

**Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***ii. Provision for lawsuits and litigations***

Settlement of a lawsuit represents an individual potential obligation. Determining the best estimate either involves expected value calculations, where possible outcomes, stated based on a legal study, are weighted by their likely probabilities or it is the single most likely outcome, adjusted as appropriate to consider risk and uncertainty.

**iii. Provision for emission rights**

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

**iv. Restructuring**

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

**v. Asset retirement obligation and provision for environmental remediation**

Certain property, plant and equipment of conventional and renewable power plants in and gas storage facilities and coal mines have to be dismantled and related sites have to be restored at the end of their operational lives. These obligations are the result of prevailing environmental regulations in the countries concerned, contractual agreements, or an implicit Group commitment.

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognised in connection with the initial recognition of the related assets, provided that the obligation can be reliably estimated. The carrying amounts of the related items of property, plant and equipment are increased by the same amount that is subsequently amortised as part of the depreciation process of the related assets.

A change in the estimate of a provision for the decommissioning and restoration of property, plant and equipment is generally recognised against a corresponding adjustment to the related assets, with no effect on profit or loss. If the related items of property, plant and equipment have already been fully depreciated, changes in the estimate are recognised in profit or loss.

No provisions are recognised for contingent asset retirement obligations where the type, scope, timing and associated probabilities cannot be determined reliably.

Provisions for environmental remediation in respect of contaminated sites are recognised when the site is contaminated and when there is a legal or constructive obligation to remediate the related site.

Provisions are recognised for the following restoration activities:

- dismantling and removing structures;
- rehabilitating mines and tailings dams;
- abandonment of production, exploration and storage wells;
- dismantling operating facilities;
- closure of plant and waste sites; and
- restoration and reclamation of affected areas.

The entity records the present value of the provision in the period in which the obligation is incurred. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased to reflect the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

All the provisions for environmental remediation and asset retirement obligation are presented under Provision for restoration and decommissioning.

**vi. Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The unavoidable costs under a contract reflect net cost of exiting from the contract, which is the lower of the costs of fulfilling the contract, and any compensations or penalties arising from failure to fulfil the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## **(n) Leases**

### ***Definition of a lease***

An agreement is or contains a leasing arrangement if it gives the customer the right to control the use of an identified asset in a time period in exchange for consideration. Control exists if the customer has the right to obtain substantially all economic benefits from the use of the asset and also the right to direct its use.

### ***Lessor accounting***

Lessor classifies leasing as either financial or operating. Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In the case of financial leasing the lessor reports in its statement of financial position a receivable in an amount equal to the net financial investment in the leasing. In the statement of comprehensive income then during the leasing term it reports financial revenues.

In the case of operating leasing the lessor recognises an underlying asset in the statement on financial position. In the income statement then during the leasing term it reports leasing payments as revenues on a straight-line basis over the lease term and depreciation of the underlying asset as an expense.

### ***Lessee accounting***

Upon the commencement of a leasing arrangement, the lessee recognises a right-of-use asset against a lease liability, which is valued at the current value of the leasing payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Incremental borrowing rate is determined based on interest rates from selected external financial sources and adjustments made to reflect the terms of the lease.

Exception option applies for short-term leases (lease term 12 months or shorter) and leases of low value assets (lower than 5 thousand EUR). The Group has elected not to recognize right-of-use assets for these leases. Lease payments are recognised as an expense on a straight-line basis over lease period.

The lease liability is subsequently measured at amortized cost under the effective interest rate method. Lease liability is remeasured if there is a change in:

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of purchase, extension or termination option;
- in-substance fixed lease payments; or
- in the scope of a lease or consideration for a lease (lease modification) that is not accounted as a separate lease.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets. In case the right-of-use assets has been reduced to zero, the adjustment is recognized in profit or loss.

The Group presents right-of-use assets in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use assets is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

In a statement of comprehensive income, the lessee reports interest expense and (straight-line) depreciation of a right-of-use asset. A company (lessee) depreciates an asset in accordance with the requirements of the IAS 16. The asset is depreciated from the commencement date to the end of the lease term. If the underlying asset is transferred to the Group at the end of the lease term, the right-of-use asset is depreciated over the useful life of the underlying asset.

### ***Service part of a lease payment***

Companies within the Group accounting for leases of vehicles do not separate the service fee from the lease payments. Total lease payments are used to calculate the lease liability. For other leasing contracts the service fee is separated from the lease payments. Service fee is recognised as a current expense in statement of comprehensive income, remaining part is used to calculate the leasing liability.

### ***Lease term***

The lease term is determined at the lease commencement date as the non-cancellable period together with periods covered by an extension (or by a termination) option if the Group is reasonably certain to exercise such option.

Where the lease contract is concluded for an indefinite period with option to terminate the lease available both to the lessor and the lessee, the Group assesses the lease term as the longer of (i) notice period to terminate the lease and, (ii) period over which there are present significant economic penalties that disincentives the Group from terminating the lease. In case the assessed lease term is for a period below 12 months, the Group applies the short-term recognition exemption.

### ***Renewal options***

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## **(o) Revenue**

### ***i. Revenues from contracts with customers***

The Group applies a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on the criteria for meeting the performance obligation, the revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

Sales transaction usually contain variable consideration and usually do not contain significant financing component. Certain sales transactions contain also non-cash consideration.

The Group has identified following main sources of Revenue in scope of IFRS 15 (for complete source of Group's revenues refer to Note 6 – Revenues):

- *Revenues from sale of electricity, gas, heat or other energy products (energy products)*

Revenues from power production (wholesale) are recognized based on the volume of power delivered to the grid and price per contract or as of the market price on the energy exchange.

The Group recognises the revenue upon delivery of the energy products to the customer. The moment of the transfer of the control over the products is considered at the moment of delivery, i.e. when the customer gains the benefits and the Group fulfils the performance obligation.

Revenues from energy supply to end consumers are measured using transaction prices allocated to those goods transferred, reflecting the volume of energy supplied, including the estimated volume supplied between last invoice date and end of the period. For B2C customers advance payments are required in general based on historical consumption, those are settled when the actual supplied volumes are known. While B2B customers are usually invoiced with higher frequency based on actually volumes supplied.

Where the Group acts as energy provider it was analysed if the distribution service invoiced is recognised as revenue from customers under IFRS 15. Judgement may be required to determine whether the Group acts as principal or agent in those cases. It has been concluded that the Group acts as a principal because it has the inventory risk for distribution services, and therefore materially all distribution services which are

billed to its customers as part of the revenues from energy delivery are presented gross in the statement of comprehensive income.

- *Grid balancing services*

The Group provides grid balancing services to transmission system operators (“TSO”) primarily in Italy, Germany, France, Ireland and the United Kingdom. The purpose of grid balancing services is to ensure the reliability of power grid and to maintain the quality of electricity supply. Grid balancing, which can span a wide array of services provided by the Group, includes two main streams of revenues represented by capacity fees and activation fees. The Group earns capacity fees for providing the service regardless of whether the TSO activates it (remuneration for availability), whereas activation fees are earned only when TSO requests the services (remuneration for performance).

Grid balancing services are accounted as ‘stand-ready’ services and recognised over time on straight-line basis. Capacity fees represent a fix part of the transaction price and is recognised equally over the contract period. Activation fees represents variable consideration of the contract. The group does not accrue the activation fees as these are highly susceptible to factors outside Group’s influence (such as weather conditions and fluctuation in energy consumption). The activation fees are recognized when activation (or deactivation) of respective resource is requested by the customer.

- *Coal mining and revenues from sale of coal*

The Group recognises the revenue from sales of coal at a point in time, upon delivery of coal to the customer. The moment of transfer of the control over the product is considered the moment of delivery to the destination specified by the customer, i.e. when the customer gains the benefits and the Group fulfils the performance obligation. Shipping and handling activities are considered only as fulfilment activities. Sales revenue is commonly subject to adjustments by variable consideration based on an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or increase in sales revenue recognised on the sale transaction.

The Group may further guarantee to the customer its mining capacity for which the customer pays fixed capacity fee. If the mining capacity is booked, the group recognizes the performance as ‘stand-ready’ performance and respective revenues is recognized over contract period on straight-line basis.

- *Logistics and freight services*

The Group provides procurement of commodities, freight and logistic connected services. At the inception of each contract, the Group identifies the performance obligations in the contract. Distinct performance obligations may include sale of goods and materials, transport, operation of containers and/or related consulting activities. Revenues from the sale of goods and materials are recognized at the point in time when the control is transferred to the customer. Revenues from freight services are recognized over a period of time as the customer is obliged to pay for the performance completed to date.

## ***ii. Derivatives where the underlying asset is a commodity***

Cash-settled contracts and contracts that do not qualify for the application of the own-use exemption are regarded as trading derivatives.

The following procedure applies to other commodity and financial derivatives that are not designated as hedging derivatives and are not intended for the sale of electricity from the Group’s sources, for delivery to end customers or for consumption as a part of the Group’s ordinary business (the own-use exemption is not applied).

At the date of the financial statements, trading derivatives are measured at fair value. The change in fair value is recognised in profit or loss. For the purposes of Group reporting, where trading with commodity derivatives forms a significant part of the Group’s total trading activities, the measurement effect is recognised in “Gain (loss) from commodity and freight derivatives, net”, a separate line item under “Revenues” for commodity derivatives with electricity, gas, coal and freight. The measurement effect for commodity derivatives with emission rights is included in line item “Emission rights, net”.

**iii. Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

**(p) Government grants**

Government grants are recognised initially at fair value as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses the grant is intended to compensate are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

**(q) Finance income and costs**

**i. Finance income**

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, gains on sale of investments in securities and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

**ii. Finance costs**

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, fees and commissions expense for payment transactions and guarantees, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

**iii. Borrowing costs**

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset, from the time of acquisition or from the beginning of construction or production until entry into service, are capitalised and subsequently amortised alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs for that arrangement are used. For non-specific financing arrangements, borrowing costs to be capitalised are determined based on a weighted average of the borrowing costs.

**(r) Income taxes**

Income taxes comprise current and deferred tax. Income taxes are recognised in profit or loss, except to the extent that they relate to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised on the following temporary differences: temporary differences arising from the initial recognition of assets or liabilities that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. No deferred tax is recognised on the initial recognition of goodwill.

The amount of deferred tax is based on the expected manner of realisation or settlement of the temporary differences, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but there is an intention to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(s) Dividends**

Dividends are recognised as distributions within equity upon approval by the Company's shareholders.

**(t) Non-current assets held for sale and disposal groups**

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group's relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. If an investment or portion of an investment in associate or joint venture is classified as held for sale, it is measured at the lower of its existing carrying amount and fair value less cost to sell. Equity method of accounting is not applied since the classification as held for sale.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Gains are not recognised in excess of any cumulative impairment loss.

Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in profit or loss from continuing operations.



#### **4. Determination of fair values**

Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **(a) Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is based on three different approaches which may be employed to determine the fair value:

*Market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables.

*Income approach* converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

*Cost approach* is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction cost. The depreciated replacement cost approach involves establishing the gross current replacement cost of the asset, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset, the estimated residual value at the end of the asset's working life and the loss in service potential.

IFRS 13 requires fair value measurements of assets to assume the highest and best use of the asset by market participants, provided that the use is physically possible, financially feasible and not illegal. Highest and best use might differ from the intended use by an individual acquirer. Although all three valuation approaches should be considered in the valuation analysis, the fact pattern surrounding each business combination, the purpose of valuation, the nature of the assets, and the availability of data dictate which approach or approaches including accounting-oriented approaches are ultimately utilized to calculate the value of each tangible asset.

##### **(b) Intangible assets**

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

##### **(c) Investment property**

The fair value of investment property is determined by an independent registered valuer. The fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies that consider the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation (discounting).

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

##### **(d) Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair value of inventories held by commodity traders (for trading purposes) is based on their listed market price and is adjusted for transport costs.

**(e) Non-derivative financial assets**

The fair value of financial assets at fair value through profit or loss, debt and equity instruments at FVOCI and financial assets at amortized cost is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables and of financial assets at amortized cost is determined for disclosure purposes only.

**(f) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

**(g) Derivatives**

The fair value of forward electricity, gas and emission rights contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes or internal valuations based on market prices. Those quotes or valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of other derivatives (exchange rate, commodity, foreign CPI indices) embedded in a contract is estimated by discounting the difference between the forward values and the current values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## 5. Acquisitions and disposals of subsidiaries, joint ventures, joint operations and associates

### (a) Acquisitions and step acquisitions

#### i. 31 December 2023

<i>In millions of EUR</i>	<b>Date of acquisition</b>	<b>Equity interest acquired %</b>	<b>Equity interest after acquisition %</b>
<b>New subsidiaries</b>			
Rijnmond Power Holding B.V.	05/01/2023	100	100
PZEM Energy Company B.V., PZEM Pipe B.V., Sloe Centrale Holding B.V. and their subsidiaries ("PZEM and Sloe Group")	25/01/2023	100	100
MaasStroom Energie C.V.	23/05/2023	100	100
<b>New joint operation</b>			
Enecogen V.O.F.	23/05/2023	50	50

#### **Rijnmond Power Holding B.V., PZEM and Sloe Group**

On 25 January 2023, EPH closed, via its subsidiary EP Netherlands B.V. ("EP NL"), the acquisition of Sloe power plant with 870 MW installed capacity from ZEH N.V. and French electric utility company EDF S.A. In addition, on 5 January 2023, EP NL acquired Rijnmond power plant with 810 MW installed capacity. Besides the power plant portfolio, EP NL has also acquired PZEM Energy Company B.V. from ZEH N.V. which includes the ZBL pipeline (a 55 km gas pipeline supplying the Sloe Power Plant), trading business and B2B power and gas supply.

#### **MaasStroom Energie C.V. and Enecogen V.O.F.**

On 23 May 2023, EP NL has successfully concluded an agreement with Castleton Commodities International LLC (CCI), securing the acquisition of two gas-fired power plants. EP NL has acquired full ownership of MaasStroom, a gas-fired power plant located in Rotterdam (Pernis) with an installed capacity of 426 MW. Additionally, EP NL has acquired a 50% stake in Enecogen, a gas-fired power plant situated in Rotterdam (Europoort) with a total installed capacity of 910 MW (share of EPH is 455 MW). The remaining 50% stake in Enecogen will continue to be held by the Dutch energy company, Eneco N.V. These strategic acquisitions, together with the previous Dutch acquisitions, have enabled EP NL to establish a portfolio comprising four highly efficient gas-fired power plants. With a cumulative capacity of 2.6 GW, EP NL now ranks as the third largest operator of power plants in the Netherlands, which will ensure a stable supply of energy in the ongoing complex energy transition.

#### ii. 31 December 2022

<i>In millions of EUR</i>	<b>Date of acquisition</b>	<b>Equity interest acquired %</b>	<b>Equity interest after acquisition %</b>
<b>New subsidiaries</b>			
EP Power Grit GmbH and its subsidiaries ("EP Power Grit")	01/12/2022	100	100

#### **EP Power Grit**

On 1 December 2022, EP Power Minerals GmbH, through its newly established subsidiary company EP Power Grit GmbH, acquired blasting abrasive activities of SCR-Sibelco. Trading in blasting abrasives has been an important part of EP Power Minerals' business model for many years. The company intends to strengthen its position by buying the abrasives business of SCR-Sibelco. As a result of the acquisition, the high-quality product range will in the future be produced by EP Power Grit with state-of-the-art production facilities at five locations in Germany, Belgium, the Netherlands and Finland.

#### **Acquisition of non-controlling interest**

On 1 September 2022, the Group acquired additional 10% interest in Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen GmbH ("Norgam"). Additional 5% were acquired through both parent

entities - Tagebau Profen GmbH & Co. KG and Tagebau Schleenhain GmbH & Co. KG. The ownership of the Group in Norgam increased from 51% to 61%. The transaction resulted in the derecognition of non-controlling interest in amount of EUR 1 million.

**(b) Effect of acquisitions****i. 31 December 2023****Subsidiaries and joint operations**

The fair value of the amounts recognized for assets acquired and liabilities assumed as at the acquisition dates of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and Enecogen V.O.F. are provided in the following table.

*In millions of EUR*

	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2023 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	625	47	672
Intangible assets	15	(2)	13
Trade receivables and other assets	848	(27)	821
Financial instruments and other financial assets	388	-	388
Inventories	36	-	36
Cash and cash equivalents	168	-	168
Deferred tax assets	68	33	101
Provisions	(116)	-	(116)
Deferred tax liabilities	(19)	(29)	(48)
Loans and borrowings	(626)	-	(626)
Financial instruments and other financial liabilities	(552)	-	(552)
Trade payables and other liabilities	(271)	27	(244)
<b>Net identifiable assets and liabilities</b>	<b>564</b>	<b>49</b>	<b>613</b>
Non-controlling interest			-
Goodwill on acquisitions of subsidiaries/joint operation			13
<b>Cost of acquisition</b>			<b>626</b>
Consideration paid, satisfied in cash (A)			626
Purchase price liability			-
<b>Total consideration transferred</b>			<b>626</b>
Less: Cash acquired (B)			168
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(458)</b>

(1) Represents values at 100% share for Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and values at 50% share for joint operation Enecogen V.O.F.

**ii. 31 December 2022****Subsidiaries**

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of subsidiaries of EP Power Grit are provided in the following table.

*In millions of EUR*

	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2022 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	2	-	2
Trade receivables and other assets	3	-	3
Inventories	2	-	2
Cash and cash equivalents	1	-	1
Provisions	(1)	-	(1)
Trade payables and other liabilities	(2)	-	(2)
<b>Net identifiable assets and liabilities</b>	<b>5</b>	<b>-</b>	<b>5</b>
Goodwill on acquisition of new subsidiaries			11
<b>Cost of acquisition</b>			<b>16</b>
Consideration paid, satisfied in cash (A)			16
<b>Total consideration transferred</b>			<b>16</b>
Less: Cash acquired (B)			1
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(15)</b>

(1) Represents values at 100% share.

### iii. Rationale for acquisitions

The Group's strategic rationale for realised acquisitions comprised several factors, including:

- the subsidiaries' businesses are complementary to EPPE's portfolio;
- potential for synergic effects;
- the subsidiaries have an advantageous position within the market;
- subject industries are expected to grow in the future;

As further expansion in energy sectors of the countries in which the Group currently has operations is one of the strategic aims of the Group, EPPE is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position of an important participant in the energy market in the Central and Western Europe.

The Group's view is that there is long-term strategic value in these investments due to the development of the market.

In 2023, the Group recognized goodwill of EUR 13 million from the acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group and Enecogen V.O.F.

The following table provides information on revenues and profit or loss of acquirees that have been included in the consolidated statement of comprehensive income for the reporting period.

<i>In millions of EUR</i>	<b>2023</b>
Revenue of the acquirees recognised since the acquisition date <sup>*(1)</sup>	1,954
Profit (loss) of the acquirees recognised since the acquisition date <sup>*(1)</sup>	209

<i>In millions of EUR</i>	<b>2022</b>
Revenue of the acquirees recognised since the acquisition date	-
Profit (loss) of the acquirees recognised since the acquisition date	-

\* Before intercompany elimination with other Group companies.

(1) Revenues and profit (loss) include figures corresponding to the Group's share of 50% for joint operation Enecogen V.O.F.

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2023 or as at 1 January 2022); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

<i>In millions of EUR</i>	<b>2023</b>
Revenue of the acquirees recognised in the year ended 31 December 2023 <sup>*(1)</sup>	2,068
Profit (loss) of the acquires recognised in the year ended 31 December 2023 <sup>*(1)</sup>	232

<i>In millions of EUR</i>	<b>2022</b>
Revenue of the acquirees recognised in the year ended 31 December 2022*	16
Profit (loss) of the acquires recognised in the year ended 31 December 2022*	1

\* Before intercompany elimination with other Group companies; based on IFRS or local statutory financial information.

(1) Revenues and profit (loss) include figures corresponding to the Group's share of 50% for joint operation Enecogen V.O.F.

For details on major acquisitions please refer also to Appendix 1 – Business combinations.

**(c) Business combinations – acquisition accounting 2023 and 2022**

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the parent company EP Power Europe, a.s. (except for acquisitions under common control, which are carried in net book values); in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes was performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which also involves certain estimates and approximations such as business plan forecasts, useful life of assets, and the weighted average cost of capital components). Any prospective information that may impact the future value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail at the time.

The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

Purchase price allocation was performed for all business combinations within the scope of IFRS 3.

Fair value adjustments resulting from business combinations in 2023 are presented in the following table:

<i>In millions of EUR</i>	<b>Property, plant and equipment</b>	<b>Intangible assets</b>	<b>Trade receivables and other assets</b>	<b>Deferred tax asset</b>	<b>Trade payables and other liabilities</b>	<b>Deferred tax liability</b>	<b>Total net effect on financial position</b>
<b>Subsidiary/joint operation</b>							
Rijnmond Power Holding B.V.	(2)	-	-	-	-	-	(2)
Sloe Group	(127)	(2)	-	33	-	-	(96)
MaasStroom Energie C.V.	129	-	-	-	27	(24)	132
Enecogen V.O.F.	47	-	(27)	-	-	(5)	15
<b>Total</b>	<b>47</b>	<b>(2)</b>	<b>(27)</b>	<b>33</b>	<b>27</b>	<b>(29)</b>	<b>49</b>

In 2022, the fair value adjustments resulting from the purchase price allocation of EP Power Grit were not significant and therefore the management of the Group decided not to recognize any fair value adjustments resulting from this acquisition of share in associate and business combination in 2022.

## (d) Disposal of investments

### i. 31 December 2023

During the year 2023 the Group disposed of its investments in:

<i>In millions of EUR</i>	<b>Date of disposal</b>	<b>Equity interest disposed %</b>
<b>Subsidiaries and associates disposed</b>		
Lausitz Energie Verwaltungs GmbH and its subsidiaries and associates ("LEAG Group")	29/09/2023 and 27/12/2023	50

### LEAG Group

In 2023, the Group announced a plan to transfer energy transition assets from the EPH Group into EP Energy Transition, the holding company of a newly established group. Subsequent to the announcement, the Group reclassified interest in joint-venture LEAG to assets held for sale on 30 June 2023 and ceased to apply equity method prospectively from the date of reclassification. The divestment of 50% share in the LEAG Group took place in two tranches during second half of 2023. The effect is provided in the following table:

<i>In millions of EUR</i>	<b>Net assets sold in 2023</b>
Equity accounted investees	(1,783)
Hedging reserve recycled to profit and loss	(53)
<b>Net assets value disposed</b>	<b>(1,836)</b>
Consideration, other <sup>(1)</sup>	1,932
<b>Total consideration received</b>	<b>1,932</b>
<b>Gain on disposal<sup>(2)</sup></b>	<b>96</b>

(1) Consideration other represents receivable from sale of LEAG. The receivable from sale was assigned in a series of transactions to the shareholder of the Company and the receivable from assignment was partially set off with the liability from dividends declared by EP Power Europe, a.s. (non-cash settlement).

(2) Gain on disposal is presented within line item "Gain from disposal of subsidiaries, joint ventures, joint operations and associates".

### Partial disposals

The disposal of LEAG Group led to partial disposal of investments in EP New Energy Italia S.r.l. ("EPNEI Group") and its subsidiaries and EP New Energies GmbH ("EPNE"). The ownership interest of the Group in EPNEI Group decreased from 75.5% to 51% and the ownership interest in EPNE Group decreased from 90% to 80%. The transactions resulted in increase of non-controlling interest by EUR 16 million.

On 15 August 2023, the Group decreased its ownership interest in Greeninvest Energy, a.s. from 41.67% to 39.73% with immaterial impact on the financial statements of the Group.

### ii. 31 December 2022

There were no disposals in the Group.



## 6. Revenues

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
<b>Revenues: Energy and related services</b>		
<i>of which: Electricity</i>	13,199	21,474
<i>Gas</i>	4,636	9,193
<i>Coal</i>	480	417
<i>Other energy products</i>	79	84
<b>Total energy and related services</b>	<b>18,394</b>	<b>31,168</b>
<b>Revenues: Logistics and freight services</b>	<b>376</b>	<b>1,082</b>
<b>Revenues: Other</b>	<b>567</b>	<b>549</b>
<b>Total Revenues from customers</b>	<b>19,337</b>	<b>32,799</b>
<b>Gain (loss) from commodity and freight derivatives, net</b>	<b>1,130</b>	<b>809</b>
<b>Total</b>	<b>20,467</b>	<b>33,608</b>

Revenues: Other are represented mainly by sales of gypsum, biomass, reimbursements of transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

Line item “Gain (loss) from commodity and freight derivatives, net” comprises of transactions related mostly to derivatives held for risk management purposes for which hedge accounting documentation under IFRS is however not prepared. This includes measurement of unsettled derivatives to fair value as at the balance sheet date as well as certain reclassification adjustments between gain (loss) from commodity derivatives and revenues from energy and related services related to derivative contract held for risk management purposes, which are reported as trading derivatives according to IFRS requirements. As a result of IFRS treatment, revenues from sale of underlying commodity are measured using fair value of the underlying commodity as at the date of settlement of the derivative contract and difference between contracted price and fair value is included in Gain (loss) from commodity and freight derivatives.

Total revenues less total purchases and consumables are presented in line “Subtotal” in the statement of comprehensive income.

In the following table, revenues are disaggregated by geographical location of delivery of goods and services.

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
Germany	4,682	2,681
Italy	3,257	5,912
United Kingdom	2,970	7,789
France	2,296	5,780
Netherlands	2,291	111
Ireland	1,347	1,375
Switzerland	1,325	1,924
Luxembourg	1,098	4,376
Czech Republic	737	967
Other	422	2,081
Slovakia	42	612
<b>Total</b>	<b>20,467</b>	<b>33,608</b>

In 2023 and 2022 no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

## 7. Purchases and consumables

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
<b>Purchases and consumables</b>		
Purchase cost of sold electricity	6,463	12,209
Purchase cost of sold gas and other energy products	4,828	8,775
Consumption of energy	2,924	5,404
Other purchase cost	751	1,381
Consumption of fuel and other material	391	299
Other purchases	134	167
Changes in WIP, semi-finished products and finished goods	(85)	(19)
<b>Total energy</b>	<b>15,406</b>	<b>28,216</b>

Purchases and consumables presented in the above table contains only cost of purchased energy and purchased materials consumed in producing energy output, it does not contain directly attributable overheads (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges etc.).

## 8. Services

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
Repairs and maintenance	161	130
Transport expenses	81	81
Consulting expenses	57	39
Network fees	42	25
Insurance expenses	39	34
Industrial waste	35	39
Environmental protection	27	20
Information technologies costs	27	13
Outsourcing and other administration fees	20	19
Rent expenses	16	8
Training, courses, conferences	6	5
Security services	5	5
Advertising expenses	5	4
Communication expenses	2	2
Other	98	53
<b>Total</b>	<b>621</b>	<b>477</b>

### **Fees payable to statutory auditors**

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
Statutory audits	4	7
Services in addition to the Statutory audits	1	1
<b>Total</b>	<b>5</b>	<b>8</b>

Fees payable to statutory auditors include expenses recorded by all subsidiaries and also joint operations accounted for using proportionate consolidation. Statutory audits include fees payable for statutory audits of financial statements. Services in addition to the statutory audits include review of the condensed interim consolidated financial statements.

## 9. Personnel expenses

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
Wages and salaries	333	308
Compulsory social security contributions	67	59
Expenses and revenues related to employee benefits (IAS 19)	7	6
Other social expenses	26	5
<b>Total</b>	<b>433</b>	<b>378</b>

The average number of employees during 2023 was 4,365 (2022: 3,857), of which 135 were executives (2022: 59).

## 10. Emission rights

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
Profit (loss) from sale of emission rights	(158)	(333)
Creation of provision for emission rights	(1,070)	(1,409)
Gain (loss) from commodity derivatives for trading with emission rights, net	(150)	290
Deferred income (grant) released to profit and loss	31	89
Use of provision for emission rights	1,329	1,189
Consumption of emission rights	(1,329)	(1,189)
<b>Total</b>	<b>(1,347)</b>	<b>(1,363)</b>

## 11. Other operating income (expense), net

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
Compensation from insurance companies	11	9
Consulting fees	7	4
Ecological tax reimbursement	5	5
Rental income	2	3
Contractual penalties	1	1
Profit from sale of material	1	1
Gain on disposal of tangible and intangible assets	-	1
Other	46	24
<b>Other operating income</b>	<b>73</b>	<b>48</b>
Taxes and charges	(95)	(103)
Trading fees	(83)	(12)
Change in impairment	(63)	(87)
Office equipment and other material	(55)	(39)
Other	(33)	(19)
Contractual penalties	(25)	(14)
Re-transmission fee	(6)	(7)
Creation and reversal of provision	(4)	(12)
Loss on disposal of tangible and intangible assets	(3)	-
Gifts and sponsorship	(2)	(10)
Intermediation fees	(1)	(4)
<b>Other operating expense</b>	<b>(370)</b>	<b>(307)</b>
<b>Other operating income (expense), net</b>	<b>(297)</b>	<b>(259)</b>

Taxes and charges include carbon price support tax, property tax, electricity tax, gas tax and other taxes and charges.

No material research and development expenses were recognized in profit and loss for the year ended 31 December 2023 and 31 December 2022.

## 12. Net finance income (expense)

*In millions of EUR*

	2023	2022
Interest income	114	46
Fee and commission income	6	16
Dividend income	3	6
<b>Finance income</b>	<b>123</b>	<b>68</b>
Loss from trading derivatives <sup>(1)</sup>	-	(92)
Loss from hedging derivatives	(1)	(2)
Loss from sale of financial instruments	(7)	-
Loss from financial liabilities at amortized cost	(18)	-
Net foreign exchange gain (loss)	80	(16)
<b>Profit (loss) from financial instruments</b>	<b>54</b>	<b>(110)</b>
<b>Total finance income</b>	<b>177</b>	<b>(42)</b>
Interest expense	(123)	(64)
Interest expense from unwind of provision discounting	(23)	7
Fees and commissions expense for other services	(46)	(31)
<b>Finance expense</b>	<b>(192)</b>	<b>(88)</b>
Change in impairment on financial assets (including receivables written off)	(9)	-
<b>Total impairment losses on financial assets</b>	<b>(9)</b>	<b>-</b>
<b>Total finance expense</b>	<b>(201)</b>	<b>(88)</b>
<b>Net finance income (expense)</b>	<b>(24)</b>	<b>(130)</b>

(1) All derivatives are for the risk management purposes.

### 13. Income tax expenses

#### Income taxes recognized in profit or loss

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
<i>Current taxes:</i>		
Current year	(417)	(582)
Adjustment for prior periods	(3)	(1)
<b>Total current taxes</b>	<b>(420)</b>	<b>(583)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	(43)	(13)
<b>Total deferred taxes</b>	<b>(43)</b>	<b>(13)</b>
<b>Total income taxes (expense) benefit recognised in profit or loss</b>	<b>(463)</b>	<b>(596)</b>

(1) For details refer to Note 17 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 356 million (2022: EUR 501 million) is mainly represented by EP Mehrum GmbH of EUR 147 million (2022: EUR 43 million), EP UK Investment Group of EUR 80 million (2022: EUR 69 million), EP Netherlands Group of EUR 51 million (2022: EUR 0 million) and EP Commodities AG of EUR 28 million (2022: EUR 0 million).

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled. The corporate income tax rates in respective countries were as follows:

<b>Country</b>	<b>2023</b>	<b>Tax rate</b>	<b>2022</b>
The Czech Republic	19% <sup>(1)</sup>		19%
France	25%		25%
Germany	24.23% - 32.96%	26.95% - 31.93%	
Ireland	12.5%		12.5%
Italy	24%		24%
The Netherlands	19%/25.8% <sup>(2)</sup>	19%/25.8% <sup>(2)</sup>	
Poland	19%		19%
Switzerland	12.5%		12.5%
United Kingdom	23.5%		19%

(1) Corporate income tax is 19% for fiscal year 2023 and 21% from fiscal year 2024.

(2) Rate 19% applies to income below EUR 200 thousand.

Current year income tax includes also special sector tax effective in Slovakia, the Czech Republic, United Kingdom and in 2022 also in Italy.

#### Pillar Two income tax (Global minimum top-up tax)

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation. However, the legislation was enacted close to the reporting date. Additionally, further guidance affecting the implication of the Pillar Two legislation is still being issued by the legislators. As the result, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential material exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group is actively continuing to monitor the development of the Pillar Two legislation in all countries where it operates and assessing the potential impact of Pillar Two.

In relation to deferred taxes, the Group has applied a temporary mandatory exemption from deferred tax accounting impact and neither recognizes nor discloses information about deferred tax related to Pillar Two income taxes.

## Income tax recognised in other comprehensive income

*In millions of EUR*

**2023**

	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
<b>Items that are not reclassified subsequently to profit or loss</b>			
Revaluation reserve included in other comprehensive income	(1)	1	-
Fair value reserve included in other comprehensive income	(48)	5	(43)
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations	(39)	-	(39)
Effective portion of changes in fair value of cash-flow hedges	(192)	(18)	(210)
Share of the other comprehensive income of equity accounted investees <sup>(1)</sup>	(17)	-	(17)
Share of the other comprehensive income of equity accounted investees reclassified to profit or loss on disposal, net of tax <sup>(1)</sup>	53	-	53
<b>Total</b>	<b>(244)</b>	<b>(12)</b>	<b>(256)</b>

*(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.*

*In millions of EUR*

**2022**

	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
<b>Items that are not reclassified subsequently to profit or loss</b>			
Fair value reserve included in other comprehensive income	110	(18)	92
Share of the other comprehensive income of equity accounted investees <sup>(1)</sup>	14	-	14
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations	(38)	-	(38)
Effective portion of changes in fair value of cash-flow hedges	630	(44)	586
Share of the other comprehensive income of equity accounted investees <sup>(1)</sup>	(465)	-	(465)
<b>Total</b>	<b>251</b>	<b>(62)</b>	<b>189</b>

*(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.*

## Reconciliation of the effective tax rate

<i>In millions of EUR</i>		<b>2023</b>		<b>2022</b>
	<b>%</b>		<b>%</b>	
Profit before tax		2,867		3,234
Income tax using the Company's domestic rate (19%)	19.00%	545	19.00%	614
Effect of tax rates in foreign jurisdictions	4.40%	126	3.50%	112
Change in tax rate	(0.70%)	(21)	(0.20%)	(5)
Non-deductible expenses <sup>(1)</sup>	1.80%	53	6.10%	196
Non-taxable income <sup>(2)</sup>	(5.90%)	(170)	(9.00%)	(291)
Share of (profit) loss of equity accounted investees	(5.10%)	(146)	(4.70%)	(152)
Tax incentives	(0.20%)	(6)	0.10%	2
Recognition of previously unrecognized tax losses	(0.50%)	(14)	(0.10%)	(3)
Effect of special levy for business in regulated services	-	-	3.70%	119
Current year losses for which no deferred tax asset was recognized	0.20%	6	0.20%	6
Change in temporary differences for which no deferred tax asset is recognized	(0.10%)	(2)	-	-
Current period adjustment for deferred tax recognized in prior period <sup>(3)</sup>	3.10%	89	(0.10%)	(3)
Withholding tax, income tax adjustments for prior periods	0.10%	3	0.00%	1
<b>Income taxes recognised in profit or loss</b>	<b>16.10%</b>	<b>463</b>	<b>18.50%</b>	<b>596</b>

(1) In the year ended 31 December 2022 the basis consists mainly of non-deductible expenses related to derivatives of EUR 351 million and creation of provisions of EUR 132 million.

(2) The basis consists mainly of gain from sale of investment in LEAG Group of EUR 96 million and in the year ended 31 December 2022 also non-taxable income related to derivatives of EUR 278 million.

(3) In the year ended 31 December 2022 the basis contains deferred tax asset relating to revaluation of fixed assets measured under revaluation model in local GAAP of EUR 200 million recognized by EP Produzione S.p.A. and Fiume Santo S.p.A.



## 14. Property, plant and equipment

*In millions of EUR*

	Land and buildings <sup>(1)</sup>	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost</b>					
<b>Balance as at 1 January 2023</b>	<b>472</b>	<b>3,019</b>	<b>133</b>	<b>255</b>	<b>3,879</b>
Effects of movements in foreign exchange rates	1	22	-	3	26
Additions	11	152	14	143	320
Additions through business combinations <sup>(2)</sup>	49	583	25	15	672
Disposals	(2)	(73)	(5)	(2)	(82)
Change in provision recorded in PPE	-	6	(8)	-	(2)
Transfers	(2)	50	-	(48)	-
<b>Balance as at 31 December 2023</b>	<b>529</b>	<b>3,759</b>	<b>159</b>	<b>366</b>	<b>4,813</b>
<b>Depreciation and impairment losses</b>					
<b>Balance as at 1 January 2023</b>	<b>(163)</b>	<b>(1,667)</b>	<b>(87)</b>	<b>-</b>	<b>(1,917)</b>
Effects of movements in foreign exchange rates	-	(8)	-	-	(8)
Depreciation charge for the year	(27)	(289)	(14)	-	(330)
Disposals	1	69	2	-	72
Impairment losses recognised in profit or loss	(2)	3	2	-	3
Transfers	-	1	2	(3)	-
<b>Balance as at 31 December 2023</b>	<b>(191)</b>	<b>(1,891)</b>	<b>(95)</b>	<b>(3)</b>	<b>(2,180)</b>
<b>Carrying amounts</b>					
<b>As at 1 January 2023</b>	<b>309</b>	<b>1,352</b>	<b>46</b>	<b>255</b>	<b>1,962</b>
<b>As at 31 December 2023</b>	<b>338</b>	<b>1,868</b>	<b>64</b>	<b>363</b>	<b>2,633</b>

(1) Including right-of-use assets.

(2) Purchase of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and Enecogen V.O.F

*In millions of EUR*

	Land and buildings <sup>(1)</sup>	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost</b>					
<b>Balance as at 1 January 2022</b>	<b>471</b>	<b>3,056</b>	<b>13</b>	<b>104</b>	<b>3,644</b>
Effects of movements in foreign exchange rates	(2)	(66)	1	(7)	(74)
Additions	5	211	7	196	419
Additions through business combinations <sup>(2)</sup>	2	-	-	-	2
Disposals	-	(97)	(1)	-	(98)
Change in provision recorded in PPE	-	(11)	-	-	(11)
Transfer to/from intangible assets	2	5	-	(10)	(3)
Transfers	(6)	(79)	113	(28)	-
<b>Balance as at 31 December 2022</b>	<b>472</b>	<b>3,019</b>	<b>133</b>	<b>255</b>	<b>3,879</b>
<b>Depreciation and impairment losses</b>					
<b>Balance as at 1 January 2022</b>	<b>(140)</b>	<b>(1,573)</b>	<b>(5)</b>	<b>(2)</b>	<b>(1,720)</b>
Effects of movements in foreign exchange rates	-	31	(1)	1	31
Depreciation charge for the year	(21)	(262)	(10)	-	(293)
Disposals	-	96	1	1	98
Impairment losses recognised in profit or loss	(2)	(31)	-	-	(33)
Transfers	-	72	(72)	-	-
<b>Balance as at 31 December 2022</b>	<b>(163)</b>	<b>(1,667)</b>	<b>(87)</b>	<b>-</b>	<b>(1,917)</b>
<b>Carrying amounts</b>					
<b>As at 1 January 2022</b>	<b>331</b>	<b>1,483</b>	<b>8</b>	<b>102</b>	<b>1,924</b>
<b>As at 31 December 2022</b>	<b>309</b>	<b>1,352</b>	<b>46</b>	<b>255</b>	<b>1,962</b>

(1) Including right-of-use assets.

(2) Purchase of EP Power Grit.

### **Impairment testing of property, plant and equipment**

For assessment of recoverable amount of PPE following assumptions were used:

- commodity prices based on available forward prices;
- discount rates applied are calculated as Weighted Average Cost of Capital (WACC) of each CGU. Cost of Equity was determined using the Capital Asset Pricing Model, while parameters were based on the reputable external sources and peer-group entities relevant to each CGU. Among other things, Cost of Equity takes into account a risk premium rate considering the recent developments.

Based on the aforementioned assumptions and the impairment test performed, the Parent Company has not identified any material impairment of property, plant and equipment that would require a correction of its measurement in the financial statements in line with the applicable accounting regulations. However, given the uncertainty of the future developments it is not possible to rule out the need for future adjustments to the values of the Group's property, plant and equipment in the future.

### **Idle assets**

As at 31 December 2023 and 31 December 2022, the Group had no significant idle assets.

### **Security**

As at 31 December 2023, property, plant and equipment with carrying value of EUR 153 million (2022: EUR 564 million) is subject to pledges from financial indebtedness and hedging transactions.

## 15. Intangible assets (including goodwill)

*In millions of EUR*

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance as at 1 January 2023</b>	<b>102</b>	<b>37</b>	<b>157</b>	<b>76</b>	<b>35</b>	<b>407</b>
Effect of movements in foreign exchange rates	1	-	2	1	-	4
Additions	-	1	2,103	-	35	2,139
Additions through business combinations <sup>(1)</sup>	13	2	11	-	-	26
Disposals	-	-	(2,057)	-	-	(2,057)
<b>Balance as at 31 December 2023</b>	<b>116</b>	<b>40</b>	<b>216</b>	<b>77</b>	<b>70</b>	<b>519</b>
<b>Amortisation and impairment losses</b>						
<b>Balance as at 1 January 2023</b>	<b>(50)</b>	<b>(29)</b>	<b>-</b>	<b>(34)</b>	<b>(8)</b>	<b>(121)</b>
Effect of movements in foreign exchange rates	(1)	-	-	-	-	(1)
Amortisation for the period	-	(5)	-	(6)	(2)	(13)
<b>Balance as at 31 December 2023</b>	<b>(51)</b>	<b>(34)</b>	<b>-</b>	<b>(40)</b>	<b>(10)</b>	<b>(135)</b>
<b>Carrying amount</b>						
<b>As at 1 January 2023</b>	<b>52</b>	<b>8</b>	<b>157</b>	<b>42</b>	<b>27</b>	<b>286</b>
<b>As at 31 December 2023</b>	<b>65</b>	<b>6</b>	<b>216</b>	<b>37</b>	<b>60</b>	<b>384</b>

(1) Purchase of Rijnmond Power Holding B.V., PZEM and Sloe Group and Enecogen V.O.F.

*In millions of EUR*

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance as at 1 January 2022</b>	<b>92</b>	<b>33</b>	<b>83</b>	<b>77</b>	<b>23</b>	<b>308</b>
Effect of movements in foreign exchange rates	(1)	(1)	(3)	(1)	(1)	(7)
Additions	-	2	1,266	-	13	1,281
Additions through business combinations <sup>(1)</sup>	11	-	-	-	-	11
Disposals	-	-	(1,189)	-	-	(1,189)
Transfers from tangible assets	-	3	-	-	-	3
<b>Balance as at 31 December 2022</b>	<b>102</b>	<b>37</b>	<b>157</b>	<b>76</b>	<b>35</b>	<b>407</b>
<b>Amortisation and impairment losses</b>						
<b>Balance as at 1 January 2022</b>	<b>(37)</b>	<b>(25)</b>	<b>-</b>	<b>(27)</b>	<b>(6)</b>	<b>(95)</b>
Effect of movements in foreign exchange rates	1	1	-	1	(1)	2
Amortisation for the year	-	(5)	-	(8)	(1)	(14)
Impairment losses recognised in profit or loss	(14)	-	-	-	-	(14)
<b>Balance as at 31 December 2022</b>	<b>(50)</b>	<b>(29)</b>	<b>-</b>	<b>(34)</b>	<b>(8)</b>	<b>(121)</b>
<b>Carrying amount</b>						
<b>As at 1 January 2022</b>	<b>55</b>	<b>8</b>	<b>83</b>	<b>50</b>	<b>17</b>	<b>213</b>
<b>As at 31 December 2022</b>	<b>52</b>	<b>8</b>	<b>157</b>	<b>42</b>	<b>27</b>	<b>286</b>

(1) Acquisition of EP Power Grit

In 2023, EPPE Group purchased emission allowances of EUR 2,043 million (2022: EUR 1,036 million). Remaining emission allowances were allocated to the Group by the respective authorities.

Amortisation of intangible assets is included in the row Depreciation, amortization and impairment in the consolidated statement of comprehensive income.

Other intangible assets comprise valuable rights, capacity market certificates and intangible assets under construction.

All intangible assets, excluding goodwill, were recognised as assets with definite useful life.

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. No significant research costs were incurred during 2023 and 2022.

### Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to single cash generating units are as follows (no intangible assets with indefinite useful lives were identified):

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
EP Power Minerals GmbH	22	22
Biomasse Italia S.p.A.	16	16
EP Power Grit GmbH	11	11
Rijnmond Power Holding B.V.	10	-
Kraftwerk Schkopau GbR	3	3
PZEM Energy Company B.V.	2	-
Enecogen V.O.F.	1	-
<b>Total goodwill</b>	<b>65</b>	<b>52</b>

In 2023, the balance of goodwill increased by EUR 13 million as a result of acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group and Enecogen V.O.F.

### Goodwill and impairment testing

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. The Group also conducts impairment testing of other intangible assets with indefinite useful lives, and of cash generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows. Value in use is derived from management forecasts of future cash flows updated since the date of acquisition. Impairment tests were performed in a similar manner as described in Note 14.

## 16. Equity accounted investees

The Group has the following investments in associates and joint ventures:

<i>In millions of EUR</i>		<b>Ownership</b>	<b>Carrying amount</b>
		<b>31 December 2023</b>	<b>31 December 2023</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
Ergosud S.p.A.	Italy	50.00	70
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	17
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	4
Greeninvest Energy, a.s.	Czech Republic	39.73	1
<b>Total</b>			<b>92</b>

<i>In millions of EUR</i>		<b>Ownership</b>	<b>Carrying amount</b>
		<b>31 December 2022</b>	<b>31 December 2022</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group <sup>(2)</sup>	<sup>(1)</sup> Italy	50.00	1,044
Ergosud S.p.A.	Italy	50.00	66
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	17
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	4
Greeninvest Energy, a.s.	Czech Republic	41.70	1
<b>Total</b>			<b>1,132</b>

(1) Country of incorporation varies, for details refer to Appendix 2 – Group entities.

(2) Refer to Appendix 2 – Group entities for detail of entities included in LEAG Group.

<i>In millions of EUR</i>		<b>Ownership</b>	<b>Share of profit (loss)</b>
		<b>31 December 2023</b>	<b>2023</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group	<sup>(2)</sup> Italy	50.00	<sup>(1)</sup> 759
Ergosud S.p.A.	Italy	50.00	4
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	2
Greeninvest Energy, a.s.	Czech Republic	39.73	2
<b>Total</b>			<b>767</b>

<i>In millions of EUR</i>		<b>Ownership</b>	<b>Share of profit (loss)</b>
		<b>31 December 2022</b>	<b>2022</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group	<sup>(2)</sup> Italy	50.00	793
Ergosud S.p.A.	Italy	50.00	3
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	3
Greeninvest Energy, a.s.	Czech Republic	41.70	1
<b>Total</b>			<b>800</b>

(1) Includes share of profit of equity accounted investee LEAG from 1 January to 30 June 2023 when LEAG was reclassified to assets held for sale.

(2) Country of incorporation varies, for details refer to Appendix 2 – Group entities.

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 31 December 2023 and 2022 and for the year then ended.

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
<b>Statement of financial position information</b>		
<b>Total assets</b>	-	<b>11,856</b>
Non-current assets	-	3,772
Current assets	-	8,084
of which: cash and cash equivalents	-	2,587
other current assets	-	5,497
<b>Total liabilities</b>	-	<b>9,767</b>
Non-current liabilities	-	3,169
of which: financial liabilities (excluding trade payables)	-	128
other non-current liabilities	-	3,041
Current liabilities	-	6,598
of which: financial liabilities (excluding trade payables)	-	691
other current liabilities	-	5,907
<b>Equity</b>	-	<b>2,089</b>
<b>Statement of comprehensive income information<sup>(1)</sup></b>		
Revenues	5,844	7,939
of which: interest income	58	19
Depreciation and amortization	(123)	(246)
Interest expense	(68)	(254)
Income tax expense	(516)	(93)
<b>Profit (loss) for the period/year</b>	<b>1,518</b>	<b>(2)1,600</b>
Other comprehensive income	(33)	(903)
<b>Total comprehensive income for the period/year</b>	<b>1,485</b>	<b>697</b>

(1) Includes statement of comprehensive income information from 1 January to 30 June 2023 when LEAG was reclassified to assets held for sale.

(2) Includes dividends from EP New Energy Italia S.r.l. eliminated in calculation of share of profit (loss) attributable to the Group.

The Group remains committed to accomplish its energy transition strategy and to facilitate the transformation of coal regions in the most dedicated and efficient way. As part of the Group's energy transition strategy, 50% shareholding of LEAG was transferred to EP Energy Transition, the holding company of the Group dedicated to drive the transition, in December 2023 (for more details, refer to Note 5(d) Disposal of investments). The Group's intention is to transfer also other participations in the future. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 8 GW, replacement of existing network-critical power generation capacities by hydrogen-ready power plants and active cooperation with unions, regions, and governments to carry out the energy transition with minimum or no socially adverse impact.

Summary financial information for standalone associates, presented at 100% as at 31 December 2023 and for the year then ended.

<i>In millions of EUR</i>	<b>Revenue</b>	<b>Profit (loss)</b>	<b>Other comprehensive income</b>	<b>Total comprehensive income</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
<b>Associates and joint ventures</b>							
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	50	7	-	7	50	26	24
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	9	-	-	-	13	2	11
Greeninvest Energy, a.s.	4	3	-	3	19	-	19
Ergosud S.p.A.	82	8	-	8	245	106	139
<b>Total</b>	<b>145</b>	<b>18</b>	<b>-</b>	<b>18</b>	<b>327</b>	<b>134</b>	<b>193</b>

(1) Data from standalone financial statements according to German GAAP.

*In millions of EUR*

	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Associates and joint ventures</b>				
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	21	29	24	2
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	12	1	1	1
Greeninvest Energy, a.s.	16	3	-	-
Ergosud S.p.A.	157	88	33	73
<b>Total</b>	<b>206</b>	<b>121</b>	<b>58</b>	<b>76</b>

*(1) Data from standalone financial statements according to German GAAP.*

Summary financial information for standalone associates, presented at 100% as at 31 December 2022 and for the years then ended.

*In millions of EUR*

	Revenue	Profit (loss)	Other compre- hensive income	Total compre- hensive income	Assets	Liabilities	Equity
<b>Associates and joint ventures</b>							
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	55	7	-	7	52	31	21
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	7	-	-	-	13	2	11
Greeninvest Energy, a.s.	4	2	-	2	19	-	19
Ergosud S.p.A.	87	6	-	6	266	134	132
<b>Total</b>	<b>153</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>350</b>	<b>167</b>	<b>183</b>

*(1) Data from standalone financial statements according to German GAAP.*

*In millions of EUR*

	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Associates and joint ventures</b>				
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	21	31	28	3
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	12	1	1	1
Greeninvest Energy, a.s.	16	3	-	-
Ergosud S.p.A.	179	87	45	89
<b>Total</b>	<b>228</b>	<b>122</b>	<b>74</b>	<b>93</b>

*(1) Data from standalone financial statements according to German GAAP.*



## 17. Deferred tax assets and liabilities

The following deferred tax assets and (liabilities) have been recognised:

*In millions of EUR*

	31 December 2023			31 December 2022		
<b>Temporary difference related to:</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Property, plant and equipment	168	(304)	(136)	72	(135)	(63)
Intangible assets	-	(13)	(13)	-	(15)	(15)
Right-of-use assets	3	-	3	3	-	3
Loans and borrowings	-	(1)	(1)	-	-	-
Inventories	8	-	8	10	-	10
Trade receivables and other	3	(1)	2	2	(1)	1
Provisions	83	(6)	77	62	-	62
Employees benefits (IAS 19)	35	(53)	(18)	1	(17)	(16)
Tax losses	30	-	30	59	-	59
Derivatives	378	(357)	21	1,094	(1,172)	(78)
Other items	35	(2)	33	55	(11)	44
<b>Subtotal</b>	<b>743</b>	<b>(737)</b>	<b>6</b>	<b>1,358</b>	<b>(1,351)</b>	<b>7</b>
Set-off tax	(500)	500	-	(1,113)	1,113	-
<b>Total</b>	<b>243</b>	<b>(237)</b>	<b>6</b>	<b>245</b>	<b>(238)</b>	<b>7</b>

**Movements in deferred tax during**  
*In millions EUR*

Balances related to:	Balance at 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations <sup>(1)</sup>	Transfer	Effect of movements in foreign exchange rate	Balance at 31 December 2023
Property, plant and equipment	(63)	(31)	-	(16)	(27)	1	(136)
Intangible assets	(15)	2	-	-	-	-	(13)
Right-of-use assets	3	-	-	-	-	-	3
Inventories	10	(2)	-	-	-	-	8
Loans and borrowings	(1)	-	-	-	-	-	(1)
Trade receivables and other assets	1	2	-	-	(1)	-	2
Provisions	62	(4)	2	8	9	-	77
Employee benefits (IAS 19)	(16)	(3)	3	-	(2)	-	(18)
Tax losses	59	(74)	-	-	45	-	30
Derivatives	(78)	52	(16)	61	2	-	21
Other	45	15	(1)	-	(26)	-	33
<b>Total</b>	<b>7</b>	<b>(43)</b>	<b>(12)</b>	<b>53</b>	<b>-</b>	<b>1</b>	<b>6</b>

(1) Acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and Enecogen V.O.F.

Balances related to:	Balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Transfer <sup>(1)</sup>	Effect of movements in foreign exchange rate	Balance at 31 December 2022
Property, plant and equipment	(7)	(59)	-	-	-	3	(63)
Intangible assets	(18)	3	-	-	-	-	(15)
Right-of-use assets	-	3	-	-	-	-	3
Inventories	11	(1)	-	-	-	-	10
Loans and borrowings	-	(1)	-	-	-	-	(1)
Trade receivables and other assets	-	1	-	-	-	-	1
Provisions	72	(4)	(6)	-	-	-	62
Employee benefits (IAS 19)	(7)	3	(12)	-	-	-	(16)
Tax losses	5	54	-	-	-	-	59
Derivatives	(18)	(24)	(41)	-	3	2	(78)
Other	40	12	(3)	-	(3)	(1)	45
<b>Total</b>	<b>78</b>	<b>(13)</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>7</b>

(1) Disposal of EP Real Estate Group.

### Unrecognised deferred tax assets

A deferred tax asset has not been recognised in respect of the tax losses that are available for carry forward by certain EPH Group entities and certain items of property, plant and equipment:

<i>In millions of EUR</i>	31 December 2023	31 December 2022
Tax losses carried forward	1,183	1,155
Property, plant and equipment	64	60
<b>Total</b>	<b>1,247</b>	<b>1,215</b>

A deferred tax asset that has not been recognised in respect of the tax losses is attributable to the following entities:

<i>In millions of EUR</i>	31 December 2023	31 December 2022
EP France S.A.S. and its subsidiaries	1,001	1,050
Humbly Grove Energy Limited	93	56
EP Resources AG	89	47
EP Power Europe, a.s.	-	2
<b>Total</b>	<b>1,183</b>	<b>1,155</b>

A deferred tax asset that has not been recognised in respect of property, plant and equipment is fully attributable to EP NI Energy Limited.

Considering the nature of revenues and expenses, the companies do not expect significant taxable profit growth, so no deferred tax asset was recognised. If sufficient taxable profit were to be achieved in 2023, then the associated tax income (savings) would be up to EUR 293 million (2022: EUR 299 million).

A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

	2024	2025	2026	2027	After 2028	Total
<b>Tax losses</b>	-	-	-	-	1,183	<b>1,183</b>

Tax losses expire over a period of 5 years in the Czech Republic, 6 years (9 years for losses up to 2018) in the Netherlands for standard tax losses and indefinitely in France, Germany and the UK. Under current tax legislation, some deductible temporary differences do not expire. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

Temporary differences related to items of property, plant and equipment for which no deferred tax asset has been recognized expire indefinitely.

## 18. Inventories

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Fossil fuel	244	413
Inventories for trading held at fair value	229	267
Spare parts	75	66
Raw materials and supplies	68	52
Finished goods and merchandise	40	166
Overburden	33	30
Extracted minerals and mineral products	8	5
Work in progress	1	2
<b>Total</b>	<b>698</b>	<b>1,001</b>

Inventories for trading held at fair value are categorized within Level 1 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

As at 31 December 2023, inventories in the amount of EUR 20 million were subject to pledges (31 December 2022: EUR 35 million).

## 19. Trade receivables and other assets

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Trade receivables	1,524	1,978
Receivables from participants, members and association <sup>(1)</sup>	1,163	-
Margin of stock exchange derivatives	656	1,605
Advance payments for long-term tangible and intangible assets	616	297
Value added tax receivables	226	243
Other accrued income	216	58
Other advance payments	190	257
Uninvoiced revenues	118	243
Estimated receivables	50	269
Defined benefit assets in excess of obligations	50	43
Subsidies related to renewable energy	22	47
Other tax receivables	13	9
Receivables from emission rights granted free-of-charge	4	61
Other receivables and assets	112	143
Allowance for bad debts	(24)	(24)
<b>Total</b>	<b>4,936</b>	<b>5,229</b>
<i>Non-current</i>	413	387
<i>Current</i>	4,523	4,842
<b>Total</b>	<b>4,936</b>	<b>5,229</b>

(1) Contains mainly receivable from sale of investment in LEAG in amount of EUR 1,151 million.

In 2023, EUR 4 million receivables were written-off through profit or loss (2022: EUR 0 million).

As at 31 December 2023, trade receivables with a carrying value of EUR 419 million are subject to pledges (2022: EUR 638 million).

As at 31 December 2023, trade receivables and other assets amounting EUR 4,916 million are not past due (2022: EUR 5,202 million), remaining balance of EUR 20 million is overdue (2022: EUR 27 million).

As at 31 December 2023 and 2022, the fair value of trade receivables and other assets equal to its carrying amount.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 30 – Risk management policies and disclosures.

## 20. Cash and cash equivalents

*In millions of EUR*

	31 December 2023	31 December 2022
Current accounts with banks	1,087	1,243
Term deposits	192	-
<b>Total</b>	<b>1,279</b>	<b>1,243</b>

As at 31 December 2023 cash equivalents of EUR 45 million are subject to pledges (2022: EUR 124 million) in case the Group defaults on some of its indebtedness. As such, pledged cash is readily available and is not classified as restricted.

## 21. Equity

### Share capital and share premium

The authorised, issued and fully paid share capital as at 31 December 2023 consisted of 117,631 ordinary shares with a par value of CZK 200 thousand each (2022: 117,631 shares with a par value of CZK 200 thousand each).

As of 1 January 2022, the functional currency of the Parent Company changed from Czech crown to Euro. As of the date of change, all items including equity were translated from Czech crown to Euro using foreign exchange rate as of the date of change. The balance of share capital of EUR 946 million is a result of such recalculation.

The shareholders are entitled to receive dividends and to cast 1 vote per 200 thousand CZK share at meetings of the Company's shareholders.

In 2023, the Company declared dividends in amount of EUR 1,795 million (2022: EUR 136 million) to its shareholders. Dividend declared per share in 2023 was EUR 15,259 (2022: EUR 1,153).

31 December 2023	Number of shares	Ownership %	Voting rights %
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>

31 December 2022	Number of shares	Ownership %	Voting rights %
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is provided as follows:

	Number of shares 2023
Shares outstanding at the beginning of the year	117,631
<b>Shares outstanding at the end of the year</b>	<b>117,631</b>

	Number of shares 2022
Shares outstanding at the beginning of the year	117,631
<b>Shares outstanding at the end of the year</b>	<b>117,631</b>

Reserves recognised in equity comprise the following

<i>In millions of EUR</i>	31 December 2023	31 December 2022
Hedging reserve	245	419
Other capital funds from capital contributions	348	281
Fair-value reserve	66	120
Non-distributable reserves	13	15
Revaluation reserve	3	3
Translation reserve	(79)	(28)
Other capital reserves	(908)	(908)
<b>Total</b>	<b>(312)</b>	<b>(98)</b>

### Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 26 – Financial instruments and Note 30 – Risk management policies and disclosure).

### **Non-distributable reserves**

The legal reserve of EUR 13 million was reported as at 31 December 2023 (2022: EUR 15 million).

### **Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group. As at 1 January 2022, EUR has become the Group's functional as well as presentation currency. Translation reserve arising from entities with EUR functional currency and translation reserve arising from entities with CZK functional currency from historical translation of EUR dividends was transferred to retained earnings as at 1 January 2022.

Translation reserve includes also translation reserve arising from translation of the consolidated financial statements to presentation currency until 31 December 2022. Translation reserve arising historically on translation into presentation currency from entities with CZK functional currency remains to be presented within translation reserve and will not be reclassified subsequently to profit or loss. Translation reserve arising historically on translation into presentation currency from entities with GBP, USD or PLN functional currencies remains to be presented within translation reserve and will be reclassified to profit or loss on disposal of such foreign operations.

### **Fair value reserve**

The fair value reserve represents mainly the effect from revaluation of provisions for long-term employee benefits and assets in accordance with IAS19.

### **Other capital reserves**

As stated in section 3 (b) vii – Pricing differences, the Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired entities and its subsidiaries and associates were under common control of Energetický a průmyslový holding, a.s. they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the consideration paid by the EPPE Group and carrying values of net assets of the acquiree and original goodwill carried forward as at the date of acquisition by the EPPE Group were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity.

### **Revaluation reserve**

The revaluation reserve represents mainly the effect from the revaluation of the investment property held by the companies within the Group.

## 22. Non-controlling interest

31 December 2023  
In millions of EUR

	EP Produzione Centrale Livorno Ferraris S.p.A.	MIBRAG Energy Group GmbH, its subsidiaries and associates	Tynagh Energy Limited	EP New Energy Italia S.r.l., its subsidiaries and associates	Total
<b>Non-controlling percentage</b>	<b>25.00%</b>	<b>10.00%</b>	<b>20.00%</b>	<b>49.00%</b>	
Business activity	Production of heat and electricity	Coal mining and production of electricity	Production of electricity	Production of electricity	
Country	Italy	Germany	Ireland	Italy	
<b>Carrying amount of NCI at 31 December 2023</b>	<b>44</b>	<b>32</b>	<b>23</b>	<b>32</b>	<b>131</b>
<b>Profit (loss) attributable to non- controlling interest for the year</b>	<b>4</b>	<b>17</b>	<b>-</b>	<b>(4)</b>	<b>17</b>
<b>Dividends declared</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Statement of financial position<sup>(1)</sup></b>					
Total assets	239	1,933	112	148	
of which: non-current	113	652	84	56	
current	126	1,281	28	92	
Total liabilities	63	1,571	18	79	
of which: non-current	6	582	1	44	
current	57	989	17	35	
<b>Net assets</b>	<b>176</b>	<b>362</b>	<b>94</b>	<b>69</b>	
<b>Statement of comprehensive income<sup>(1)</sup></b>					
Total revenues	483	1,091	181	53	
of which: dividends received	-	-	-	-	
Profit after tax	16	162	-	(20)	
<b>Total comprehensive income for the year<sup>(1)</sup></b>	<b>16</b>	<b>162</b>	<b>-</b>	<b>(20)</b>	
<b>Net cash inflows (outflows)<sup>(1)</sup></b>	<b>18</b>	<b>149</b>	<b>(8)</b>	<b>(27)</b>	

(1) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.



Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

<b>31 December 2022</b> <i>In millions of EUR</i>	<b>EP Produzione Centrale Livorno Ferraris S.p.A.</b>	<b>MIBRAG Energy Group GmbH, its subsidiaries and associates<sup>(2)</sup></b>	<b>Tynagh Energy Limited</b>	<b>EP New Energy Italia S.r.l., its subsidiaries and associates<sup>(2)</sup></b>	<b>Total</b>
<b>Non-controlling percentage</b>	<b>25.00%</b>	<b>10.00%</b>	<b>20.00%</b>	<b>24.50%</b>	
Business activity	Production of heat and electricity	Coal mining and production of electricity	Production of electricity	Production of electricity	
Country	Italy	Germany	Ireland	Italy	
<b>Carrying amount of NCI at 31 December 2022</b>	<b>40</b>	<b>16</b>	<b>23</b>	<b>17</b>	<b>96</b>
<b>Profit (loss) attributable to non- controlling interest for the year</b>	<b>-</b>	<b>10</b>	<b>6</b>	<b>9</b>	<b>25</b>
<b>Dividends declared</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(8)</b>	<b>(9)</b>
<b>Statement of financial position<sup>(1)</sup></b>					
Total assets	246	1,706	130	195	
<i>of which: non-current</i>	<i>114</i>	<i>574</i>	<i>83</i>	<i>73</i>	
<i>current</i>	<i>132</i>	<i>1,132</i>	<i>47</i>	<i>122</i>	
Total liabilities	87	1,503	35	116	
<i>of which: non-current</i>	<i>8</i>	<i>571</i>	<i>-</i>	<i>57</i>	
<i>current</i>	<i>79</i>	<i>932</i>	<i>35</i>	<i>59</i>	
<b>Net assets</b>	<b>159</b>	<b>203</b>	<b>95</b>	<b>79</b>	
<b>Statement of comprehensive income<sup>(1)</sup></b>					
Total revenues	829	910	466	220	
<i>of which: dividends received</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	
Profit after tax	(1)	104	30	38	
<b>Total comprehensive income for the year<sup>(1)</sup></b>	<b>(1)</b>	<b>104</b>	<b>30</b>	<b>38</b>	
<b>Net cash inflows (outflows)<sup>(1)</sup></b>	<b>39</b>	<b>18</b>	<b>8</b>	<b>38</b>	

(1) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.

(2) Financial information of MIBRAG Energy Group GmbH, its subsidiaries and associates and EP New Energy Italia S.r.l., its subsidiaries and associates were updated with non-controlling interests to present financial statements of entire groups respectively.

## 23. Loans and borrowings

<i>In millions of EUR</i>	31 December 2023	31 December 2022
Loans payable to other than credit institutions	2,053	1,092
<i>of which payable to sole shareholder</i>	2,040	1,087
Loans payable to credit institutions	177	138
Factoring loans	103	100
Lease liabilities	69	35
Revolving credit facility	15	84
<b>Total</b>	<b>2,417</b>	<b>1,449</b>
<i>Non-current</i>	1,169	301
<i>Current</i>	1,248	1,148
<b>Total</b>	<b>2,417</b>	<b>1,449</b>

The weighted average interest rate on loans and borrowings for 2023 was 1.39% (2022: 1.76%).

### Other loans and borrowings

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans as at 31 December 2023 were as follows:

<i>In millions of EUR</i>	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/23	Due within 1 year	Due in 1–5 years	Due in following years
Secured bank loan	EUR	variable*	2027	144	8	136	-
Secured bank loan	EUR	variable*	2025	33	16	17	-
Secured bank loan	EUR	fixed	2024	-	-	-	-
Unsecured loan	EUR	variable*	2028	7	2	5	-
Unsecured loan	EUR	fixed	2028	56	-	56	-
Unsecured loan	EUR	variable*	2026	841	8	833	-
Unsecured loan	EUR	variable*	2025	20	-	20	-
Unsecured loan	USD	variable*	2025	5	-	5	-
Unsecured loan	EUR	fixed	2025	4	2	2	-
Unsecured loan	CZK	fixed	2024	873	873	-	-
Unsecured loan	EUR	variable*	2024	209	209	-	-
Unsecured loan	USD	fixed	2024	35	35	-	-
Unsecured loan	EUR	fixed	2024	3	3	-	-
Revolving credit facility	EUR	variable*	2025	15	15	-	-
Factoring loan	EUR	variable*	2025	103	50	53	-
Lease liabilities	-	-	-	69	27	20	22
<b>Total interest-bearing liabilities</b>				<b>2,417</b>	<b>1,248</b>	<b>1,147</b>	<b>22</b>

\* Variable interest rate is derived as EURIBOR plus a margin. All interest rates are market based.

Terms and conditions of outstanding loans as at 31 December 2022 were as follows:

<i>In millions of EUR</i>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31/12/22</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Unsecured bank loan	EUR	variable*	2027	88	6	82	-
Secured bank loan	EUR	variable*	2025	50	17	33	-
Unsecured loan	EUR	variable*	2023	350	330	20	-
Unsecured loan	GBP	fixed	2024	690	545	145	-
Unsecured loan	PLN	fixed	2023	20	20	-	-
Unsecured loan	CZK	fixed	2024	21	21	-	-
Unsecured loan	EUR	fixed	2025	11	5	6	-
Revolving credit facility	USD	variable*	2023	84	84	-	-
Factoring loan	EUR	variable*	2023	97	97	-	-
Factoring loan	EUR	fixed	2023	3	3	-	-
Lease liabilities	-	-	-	35	20	8	7
<b>Total interest-bearing liabilities</b>				<b>1,449</b>	<b>1,148</b>	<b>294</b>	<b>7</b>

\* Variable interest rate is derived as EURIBOR or Fedfunds plus a margin. All interest rates are market based.

### Fair value information

The fair value of interest-bearing instruments held at amortised costs is shown in the table below:

<i>In millions of EUR</i>	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>
Loans payable to credit institutions	177	187	138	138
Loans payable to other than credit institutions	2,053	2,053	1,092	1,108
Revolving credit facility	15	15	84	83
Factoring loans	103	103	100	100
Lease liabilities	69	71	35	35
<b>Total</b>	<b>2,417</b>	<b>2,429</b>	<b>1,449</b>	<b>1,464</b>

Interest-bearing instruments held at amortised costs are categorised within Level 2 or 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

### Significant investing and financing activities not requiring cash:

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Investing activities	-	13
Financing activities	775	-
<b>Total</b>	<b>775</b>	<b>13</b>

For the year 2023, financing activity includes set-off of liabilities from dividends declared by EPPE to its shareholder in amount of EUR 775 million.

For the year 2022, investing activity includes set-off of loan against dividends to EPH amounting EUR 13 million.

Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

## Reconciliation of movements of liabilities to cash flows arising from financing activities

*In millions of EUR*

	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non- controlling interest	Total
<b>Balance as at 1 January 2023</b>	<b>138</b>	<b>1,092</b>	<b>84</b>	<b>100</b>	<b>35</b>	<b>946</b>	<b>(98)</b>	<b>3,836</b>	<b>96</b>	<b>6,229</b>
<i>Changes from financing cash flows</i>										
Proceeds from loans and borrowings	1,111	1,734	21	5	-	-	-	-	-	2,871
Repayment of borrowings	(863)	(1,530)	(94)	(3)	-	-	-	-	-	(2,490)
Payment of lease liabilities	-	-	-	-	(34)	-	-	-	-	(34)
Contribution to equity from shareholder	-	*(60)	-	-	-	-	67	-	-	7
Set-off	(825)	825	-	-	-	-	-	(775)	-	(775)
Dividend paid	-	-	-	-	-	-	-	(1,020)	(1)	(1,021)
<b>Total change from financing cash flows</b>	<b>(577)</b>	<b>969</b>	<b>(73)</b>	<b>2</b>	<b>(34)</b>	<b>-</b>	<b>67</b>	<b>(1,795)</b>	<b>(1)</b>	<b>(1,442)</b>
Changes arising from obtaining or losing of control of subsidiaries	598	-	-	-	28	-	28	7	17	678
Total effect of changes in foreign exchange rates	40	(44)	4	-	(2)	-	(39)	-	-	(41)
<i>Other changes</i>										
<b>Liability related</b>										
Interest expense	25	78	2	6	3	-	-	-	-	114
Interest paid	(47)	(42)	(2)	(5)	(3)	-	-	-	-	(99)
Lease liability	-	-	-	-	42	-	-	-	-	42
<b>Total liability-related other changes</b>	<b>(22)</b>	<b>36</b>	<b>-</b>	<b>1</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(270)</b>	<b>2,387</b>	<b>19</b>	<b>2,136</b>
<b>Balance as at 31 December 2023</b>	<b>177</b>	<b>2,053</b>	<b>15</b>	<b>103</b>	<b>69</b>	<b>946</b>	<b>(312)</b>	<b>4,435</b>	<b>131</b>	<b>7,617</b>

\* This balance relates to non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding a.s.

Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

*In millions of EUR*

	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non- controlling interest	Total
<b>Balance as at 1 January 2022</b>	<b>76</b>	<b>1,462</b>	<b>377</b>	<b>43</b>	<b>20</b>	<b>946</b>	<b>(355)</b>	<b>1,359</b>	<b>77</b>	<b>4,005</b>
<i>Changes from financing cash flows</i>										
Contribution to equity from shareholder	-	*(8)	-	-	-	-	70	-	-	62
Proceeds from loans and borrowings	81	2,534	184	128	-	-	-	-	-	2,927
Repayment of borrowings	(22)	(2,875)	(481)	(71)	-	-	-	-	-	(3,449)
Payment of lease liabilities	-	-	-	-	(39)	-	-	-	-	(39)
Dividend paid <sup>(1)</sup>	-	-	-	-	-	-	-	(136)	(1)	(137)
<b>Total change from financing cash flows</b>	<b>59</b>	<b>(349)</b>	<b>(297)</b>	<b>57</b>	<b>(39)</b>	<b>-</b>	<b>70</b>	<b>(136)</b>	<b>(1)</b>	<b>(636)</b>
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	-	1	(1)	-
Total effect of changes in foreign exchange rates	3	(40)	4	-	(1)	-	(38)	-	-	(72)
<i>Other changes</i>										
<b>Liability related</b>										
Interest expense	1	22	21	2	1	-	-	-	-	47
Interest paid	(1)	(3)	(21)	(2)	-	-	-	-	-	(27)
Lease liability	-	-	-	-	54	-	-	-	-	54
<b>Total liability-related other changes</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>2,612</b>	<b>21</b>	<b>2,858</b>
<b>Balance as at 31 December 2022</b>	<b>138</b>	<b>1,092</b>	<b>84</b>	<b>100</b>	<b>35</b>	<b>946</b>	<b>(98)</b>	<b>3,836</b>	<b>96</b>	<b>6,229</b>

\* *This balance relates to non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding a.s.*

## 24. Provisions

*In millions of EUR*

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decommissioning <sup>(3)</sup>	Other	Total
<b>Balance at 1 January 2023</b>	<b>135</b>	<b>1,406</b>	<b>34</b>	<b>22</b>	<b>982</b>	<b>72</b>	<b>2,651</b>
Acquisitions through business combinations <sup>(1)</sup>	-	22	44	-	49	1	116
Provisions made during the year	6	1,148	-	8	87	25	1,274
Provisions used during the year	(14)	(1,329)	(10)	(2)	(29)	(1)	(1,385)
Provisions reversed during the year	(3)	(78)	(28)	(15)	(40)	(19)	(183)
Actuarial gains/losses	48	-	-	-	-	-	48
Change in provision recorded in property, plant and equipment	-	-	-	-	(2)	-	(2)
Transfer	-	-	-	-	6	(6)	-
Unwind of discount <sup>(2)</sup>	6	-	-	-	17	-	23
Effect of movements in foreign exchange rate	(1)	4	-	1	2	2	8
<b>Balance at 31 December 2023</b>	<b>177</b>	<b>1,173</b>	<b>40</b>	<b>14</b>	<b>1,072</b>	<b>74</b>	<b>2,550</b>
<i>Non-current</i>	<i>149</i>	<i>-</i>	<i>40</i>	<i>8</i>	<i>968</i>	<i>5</i>	<i>1,170</i>
<i>Current</i>	<i>28</i>	<i>1,173</i>	<i>-</i>	<i>6</i>	<i>104</i>	<i>69</i>	<i>1,380</i>

(1) The acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and Enecogen V.O.F.

(2) Unwinding of discount is included in interest expense.

(3) As at 31 December 2023, the balance in amount of EUR 537 million represents mining related provisions recorded by MIBRAG GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 180 million represents asset retirement costs recorded by EP Produzione S.p.A., Fiume Santo S.p.A., EP Centrale Tavazzano Montanaso S.p.A. and EP Centrale Ostiglia S.p.A. and the balance in amount of EUR 173 million represents asset retirement costs recorded by EP France Group. Remaining balance of EUR 182 million represents other decommissioning provisions.

Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

<i>In millions of EUR</i>	<b>Employee benefits</b>	<b>Provision for emission rights</b>	<b>Onerous contracts</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning (3)</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2022</b>	<b>234</b>	<b>1,200</b>	<b>70</b>	<b>26</b>	<b>1,021</b>	<b>48</b>	<b>2,599</b>
Acquisitions through business combinations <sup>(1)</sup>	-	-	-	-	1	-	1
Provisions made during the year	7	1,409	12	2	48	38	1,516
Provisions used during the year	(23)	(1,189)	(17)	(2)	(40)	(8)	(1,279)
Provisions reversed during the year	(6)	-	(30)	(4)	(25)	(5)	(70)
Actuarial gains/losses	(80)	-	-	-	-	-	(80)
Change in provision recorded in property, plant and equipment	-	-	-	-	(11)	-	(11)
Transfer	-	1	1	-	-	(1)	1
Unwind of discount <sup>(2)</sup>	3	-	-	-	(10)	-	(7)
Effect of movements in foreign exchange rate	-	(15)	(2)	-	(2)	-	(19)
<b>Balance at 31 December 2022</b>	<b>135</b>	<b>1,406</b>	<b>34</b>	<b>22</b>	<b>982</b>	<b>72</b>	<b>2,651</b>
<i>Non-current</i>	<i>104</i>	<i>-</i>	<i>1</i>	<i>18</i>	<i>865</i>	<i>9</i>	<i>997</i>
<i>Current</i>	<i>31</i>	<i>1,406</i>	<i>33</i>	<i>4</i>	<i>117</i>	<i>63</i>	<i>1,654</i>

(1) The purchase of EP Power Grit.

(2) Unwinding of discount is included in interest expense.

(3) As at 31 December 2022, the balance in amount of EUR 472 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 181 million represents asset retirement costs recorded by EP Produzione S.p.A., Fiume Santo S.p.A. and EP Centrale Tavazzano Montanaso S.p.A. The balance in amount of EUR 174 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 154 million represents other decommissioning provisions.

Accounting for provisions involves frequent use of estimates, such as probability of occurrence of uncertain events or calculation of the expected outcome. Such estimates are based on past experience, statistical models and professional judgement.

### Employee benefits

The Group recorded a significant amount as provision for long-term employee benefits related to its employees. Valuations of these provisions are sensitive to assumptions used in the calculations, such as future salary and benefit levels, discount rates, employee leaving rate, late retirement rate, mortality and life expectancy. The management considered various estimated factors and how these estimates would impact the recognised provision. As a result of this analysis, no significant variances to the recorded provision are expected.

The provision for employee benefits in the amount of EUR 177 million (2022: EUR 135 million) was recorded by MIBRAG GmbH, Helmstedter Revier GmbH, Gazel Energie Generation S.A.S., Kraftwerk Mehrum GmbH, EP Power Minerals GmbH, MINERALplus GmbH, Saale Energie GmbH, Eggborough Power Limited, EP Ballylumford Limited, EP Produzione Centrale Livorno Ferraris S.P.A., EP Produzione S.P.A., Fiume Santo S.P.A., EP Centrale Tavazzano Montanaso S.P.A. and EP Centrale Ostiglia S.P.A.

#### i. Gazel Energie Generation S.A.S.

The provision recorded by Gazel Energie Generation S.A.S. amounts to EUR 119 million (2022: EUR 79 million), of which EUR 119 million (2022: EUR 75 million) represents a defined benefit pension scheme and EUR 0 million (2022: EUR 4 million) represents other post-employment benefits.

The schedules below summarise information about the defined benefit obligations and plan assets.

<i>In millions of EUR</i>	<b>2023</b>	<b>2022</b>
<b>Plan A</b>		
Fair value of plan asset	-	-
Present value of obligations	(31)	(20)
<b>Total employee benefit</b>	<b>(31)</b>	<b>(20)</b>
<b>Plan B</b>		
Fair value of plan asset	-	-
Present value of obligations	(2)	(2)
<b>Total employee benefit</b>	<b>(2)</b>	<b>(2)</b>
<b>Plan C</b>		
Fair value of plan asset	-	-
Present value of obligations	(85)	(52)
<b>Total employee benefit</b>	<b>(85)</b>	<b>(52)</b>
<b>Plan D</b>		
Fair value of plan asset	-	-
Present value of obligations	(1)	(1)
<b>Total employee benefit</b>	<b>(1)</b>	<b>(1)</b>

During the year ended 31 December 2023, benefits paid by plans were EUR 2 million (2022: EUR 3 million), current service costs amounted to EUR 1 million (2022: EUR 2 million) and current interest costs to EUR 0 million (2022: EUR 1 million) and actuarial losses recognised in other comprehensive income were EUR 39 million (2022: gain EUR 29 million).

### Provision for emission rights

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

### Provision for lawsuits

A provision of EUR 14 million relates mainly to litigations and claims described in Note 32 – Litigations and claims. As disclosed in Note 32 – Litigations and claims, there are other legal proceedings in which the Group is involved and for which the possibility of an outflow of resources was assessed as remote as at the



date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2023 and 31 December 2022.

### **Provision for restoration and decommissioning**

The provision of EUR 1,072 million (2022: EUR 982 million) was primarily recorded by entities in Germany (EUR 602 million, 2022: EUR 535 million), France (EUR 173 million, 2022: EUR 181 million), Italy (EUR 190 million, 2022: EUR 194 million) and in the UK (EUR 81 million, 2022: EUR 71 million).

#### *i. Germany (MIBRAG GmbH and Helmstedter Revier GmbH)*

According to the German Federal Mining Law, a mining company is obliged to re-cultivate/reclaim all the land used for mining purposes after discontinuation of mining operations. The requirements to be met for this purpose are set forth in a comprehensive framework operations plan and compliance is monitored by the mining authorities.

As at 31 December 2023, the provision for re-cultivation of both Schleenhain and Profen strip mines recorded by MIBRAG GmbH is based on the recommendations of The German Commission on Growth, Structural change and Employment („coal commission“) from 26 January 2019 which proposes a gradual reduction and closure of all coal-fired power plants and subsequently strip mines in Germany by 2035.

The average discount rate applied to calculate present value of the provision was 2.46% (2022: 2.90%) and the average escalation rate was 1.66% (2022: 1.89%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 71 million (2022: EUR 60 million), while an increase of 1% would increase the present value of the provisions by EUR 83 million (2022: 71 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 69 million (2022: EUR 59 million), while a decrease of 1% would increase the present value of the provisions by EUR 83 million (2022: EUR 71 million). These analyses assume that all other variables remain constant.

#### *ii. Italy (EP Produzione S.p.A., Fiume Santo S.p.A., EP Centrale Tavazzano Montasano S.p.A. and EP Centrale Ostiglia S.P.A.)*

As at 31 December 2023, the provisions recognized by the companies represent asset retirement provision related to the eventual retirement of tangible assets, provisions for restoration of land in Lombardia (Tavazzano and Ostiglia plants) and Sardegna (Fiume Santo plant) regions, provision for health and safety risk and potential liabilities arising from regulatory rules for Fiume Santo plant.

The average discount rate applied to calculate present value of the provision was 3.39% (2022: 2.53%) and the average escalation rate was 0.86% (2022: 0.83%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 13 million), while an increase of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 14 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 12 million), while a decrease of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 14 million). These analyses assume that all other variables remain constant.

#### *iii. France (Gazel Energie Generation S.A.S., Aerodis S.A., Gazel Energie Renouvelables S.A.S., Gazel Energie Solaire S.A.S. and Surschiste S.A.)*

As at 31 December 2023, the provisions recognized by the companies in France represent mainly provisions for dismantling the power plants of Gazel Energie Generation S.A.S. (including Emile Huchet and Provence power plants, closed power plants of Hornaing and Lucy and provision for restoration of land) and provision for dismantling the windfarms and solar farms.

The average discount rate applied to calculate present value of the provision was 3.01% (2022: 3%) and the average escalation rate was 2.00% (2022: 2.51%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 13 million), while an increase of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 15 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 13 million), while a decrease of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 15 million). These analyses assume that all other variables remain constant.

*iv. Other*

Other companies estimated the provision for decontamination and restoration and long-term asset retirement using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate.

Those sites have not been included in stress testing as the change in provisions due to a change in parameters would have insignificant impact on the Group's financial statements.

## **25. Deferred income**

Balance of other deferred income in amount of EUR 32 million (2022: EUR 44 million) is mainly represented by EP Ballylumford Limited of EUR 10 million (2022: EUR 0 million) and Gazel Energie Generation S.A.S. of EUR 9 million (2022: EUR 19 million).

The deferred income of Gazel Energie Generation S.A.S. is associated with capacity market payments, which will be recognised in income statement after the utilization of capacity in the following years.

## 26. Financial instruments

### Financial instruments and other financial assets

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	1,667	1,138
<i>of which loans provided by Company to sole shareholder</i>	1,627	1,109
Other term deposits	-	13
<b>Total</b>	<b>1,667</b>	<b>1,151</b>
<b>Assets carried at fair value</b>		
<b>Hedging: of which</b>	679	826
<i>Commodity derivatives cash flow hedge</i>	676	821
<i>Currency forwards cash flow hedge</i>	2	-
<i>Interest rate swaps cash flow hedge</i>	1	5
<b>Risk management purpose: of which</b>	2,599	5,439
<i>Commodity derivatives reported as trading</i>	2,598	5,436
<i>Other derivatives reported as trading</i>	1	3
<b>Equity instruments at fair value through OCI: of which</b>	89	83
<i>Shares and interim certificates at fair value through OCI</i>	89	83
<b>Equity instruments at fair value through PL: of which</b>	-	8
<i>Shares at fair value through PL</i>	-	8
<b>Total</b>	<b>3,367</b>	<b>6,356</b>
<i>Non-current</i>	390	753
<i>Current</i>	4,644	6,754
<b>Total</b>	<b>5,034</b>	<b>7,507</b>

### Financial instruments and other financial liabilities

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Liabilities carried at amortised cost</b>		
Other financial liabilities	1	9
<b>Total</b>	<b>1</b>	<b>9</b>
<b>Liabilities carried at fair value</b>		
<b>Hedging: of which</b>	551	544
<i>Commodity derivatives cash flow hedge</i>	548	544
<i>Currency forwards cash flow hedge</i>	2	-
<i>Interest rate swaps cash flow hedge</i>	1	-
<b>Risk management purpose: of which</b>	1,858	4,500
<i>Commodity derivatives reported as trading</i>	1,816	4,456
<i>Interest rate swaps reported as trading</i>	41	38
<i>Other derivatives reported as trading</i>	1	6
<b>Total</b>	<b>2,409</b>	<b>5,044</b>
<i>Non-current</i>	171	481
<i>Current</i>	2,239	4,572
<b>Total</b>	<b>2,410</b>	<b>5,053</b>

The weighted average interest rate on loans to other than credit institutions for 2023 was 4.79% (2022: 2.02%).

Fair values and respective nominal amounts of derivatives are disclosed in the following table:

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>31 December 2023</b>
	<b>Nominal amount buy</b>	<b>Nominal amount sell</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>Hedging: of which</b>	2,554	(2,324)	679	(551)
<i>Commodity derivatives cash flow hedge</i>	2,010	(1,780)	676	(548)
<i>Currency forwards cash flow hedge</i>	543	(543)	2	(2)
<i>Interest rate swaps cash flow hedge</i>	1	(1)	1	(1)
<b>Risk management purpose: of which</b>	10,751	(9,971)	2,599	(1,858)
<i>Commodity derivatives reported as trading</i>	10,258	(9,478)	2,598	(1,816)
<i>Other derivatives reported as trading</i>	347	(347)	1	(1)
<i>Interest rate swaps reported as trading</i>	146	(146)	-	(41)
<b>Total</b>	<b>13,305</b>	<b>(12,295)</b>	<b>3,278</b>	<b>(2,409)</b>

<i>In millions of EUR</i>	<b>31 December 2022</b>	<b>31 December 2022</b>	<b>31 December 2022</b>	<b>31 December 2022</b>
	<b>Nominal amount buy</b>	<b>Nominal amount sell</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>Hedging: of which</b>	2,905	(2,645)	826	(544)
<i>Commodity derivatives cash flow hedge</i>	2,869	(2,614)	821	(544)
<i>Interest rate swaps cash flow hedge</i>	6	(1)	5	-
<i>Currency forwards cash flow hedge</i>	30	(30)	-	-
<b>Risk management purpose: of which</b>	14,774	(12,992)	5,439	(4,500)
<i>Commodity derivatives reported as trading</i>	14,017	(12,231)	5,436	(4,456)
<i>Other derivatives reported as trading</i>	605	(608)	3	(6)
<i>Interest rate swaps reported as trading</i>	143	(143)	-	(38)
<i>Currency forwards reported as trading</i>	9	(10)	-	-
<b>Total</b>	<b>17,679</b>	<b>(15,637)</b>	<b>6,265</b>	<b>(5,044)</b>

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR. where the contractual condition of derivatives does not meet the “own use exemption” as noted in IFRS 9.2.4.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 30 – Risk management policies and disclosures.

#### **Fair value hierarchy for financial instruments carried at fair value**

In general, financial instruments carried at fair value are measured based on quoted market prices at the reporting date. If the market for a financial instrument is not active, fair value is established using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information that market participants would use in setting a price for the financial instrument.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<i>In millions of EUR</i>	<b>31 December 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	679	-	<b>679</b>
<i>Commodity derivatives cash flow hedge</i>	-	676	-	<b>676</b>
<i>Currency forwards cash flow hedge</i>	-	2	-	<b>2</b>
<i>Interest rate swaps cash flow hedge</i>	-	1	-	<b>1</b>
<b>Risk management purposes: of which</b>	-	2,574	25	<b>2,599</b>
<i>Commodity derivatives reported as trading</i>	-	2,573	25	<b>2,598</b>
<i>Other derivatives reported as trading</i>	-	1	-	<b>1</b>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	89	<b>89</b>
<i>Shares and interim certificates at fair value through OCI</i>	-	-	89	<b>89</b>
<b>Total</b>	<b>-</b>	<b>3,253</b>	<b>114</b>	<b>3,367</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	551	-	<b>551</b>
<i>Commodity derivatives cash flow hedge</i>	-	548	-	<b>548</b>
<i>Currency forwards cash flow hedge</i>	-	2	-	<b>2</b>
<i>Interest rate swaps cash flow hedge</i>	-	1	-	<b>1</b>
<b>Risk management purpose: of which</b>	-	1,850	8	<b>1,858</b>
<i>Commodity derivatives reported as trading</i>	-	1,808	8	<b>1,816</b>
<i>Interest rate swaps reported as trading</i>	-	41	-	<b>41</b>
<i>Other derivatives reported as trading</i>	-	1	-	<b>1</b>
<b>Total</b>	<b>-</b>	<b>2,401</b>	<b>8</b>	<b>2,409</b>
<b>31 December 2022</b>				
<i>In millions of EUR</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	826	-	<b>826</b>
<i>Commodity derivatives cash flow hedge</i>	-	821	-	<b>821</b>
<i>Interest rate swaps cash flow hedge</i>	-	5	-	<b>5</b>
<b>Risk management purposes: of which</b>	-	5,309	130	<b>5,439</b>
<i>Commodity derivatives reported as trading</i>	-	5,306	130	<b>5,436</b>
<i>Other derivatives reported as trading</i>	-	3	-	<b>3</b>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	83	<b>83</b>
<i>Shares and interim certificates at fair value through OCI</i>	-	-	83	<b>83</b>
<b>Equity instruments at fair value through PL: of which</b>	8	-	-	<b>8</b>
<i>Shares at fair value through PL</i>	8	-	-	<b>8</b>
<b>Total</b>	<b>8</b>	<b>6,135</b>	<b>213</b>	<b>6,356</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	544	-	<b>544</b>
<i>Commodity derivatives cash flow hedge</i>	-	544	-	<b>544</b>
<b>Risk management purpose: of which</b>	-	4,500	-	<b>4,500</b>
<i>Commodity derivatives reported as trading</i>	-	4,456	-	<b>4,456</b>
<i>Interest rate derivatives reported as trading</i>	-	38	-	<b>38</b>
<i>Other derivatives reported as trading</i>	-	6	-	<b>6</b>
<b>Total</b>	<b>-</b>	<b>5,044</b>	<b>-</b>	<b>5,044</b>

There were no transfers between fair value levels in either 2023 or 2022.

The fair value of financial instruments held at amortised costs is shown in the table below:

<i>In millions of EUR</i>	<b>Carrying value 31 December 2023</b>	<b>Fair value 31 December 2023</b>
<b>Financial assets</b>		
Loans to other than credit institutions	1,667	1,667
<b>Total</b>	<b>1,667</b>	<b>1,667</b>
<b>Financial liabilities</b>		
Other financial liabilities	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

<i>In millions of EUR</i>	<b>Carrying value 31 December 2022</b>	<b>Fair value 31 December 2022</b>
<b>Financial assets</b>		
Loans to other than credit institutions	1,138	1,139
Other short-term deposits	13	13
<b>Total</b>	<b>1,151</b>	<b>1,152</b>

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

The fair value of trade receivables and other assets and trade payables is equal to their carrying amount.

#### **Transactions with emission rights not recognized in balance sheet**

The following information pertains to contracts on delivery or sale of emission rights. These contracts meet the requirements of IFRS 9 for the application of the own-use exemption and therefore do not fall in the scope of IFRS 9 (refer to Note 3(f) – Derivative financial instruments – Transactions with emission rights and energy) and are reported as off-balance sheet items, not derivatives. The management carefully assessed conditions of the contracts and concluded that all contracts are intended to be settled via physical delivery needed for consumption or physically delivered quantities shall be sold as part of its ordinary business, therefore the contracts are not reported as derivatives.

As at 31 December 2023, the Group is contractually obliged to forward purchase 19,947,625 pieces (2022: 22,650,058 pieces) of emission rights at an average price 79.93 EUR/piece (2022: 82.11 EUR/piece), with delivery between 2024 and 2025.

## 27. Trade payables and other liabilities

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Trade payables	1,120	1,787
Estimated payables	216	57
Margin of stock exchange derivatives	208	862
Uninvoiced supplies	155	397
Other tax liabilities	133	107
Accrued expenses	102	437
Payroll liabilities	102	82
Retentions due to contractors	8	5
Advance payments received	7	72
Other liabilities	314	319
<b>Total</b>	<b><u>2,365</u></b>	<b><u>4,125</u></b>
<i>Non-current</i>	17	139
<i>Current</i>	<u>2,348</u>	<u>3,986</u>
<b>Total</b>	<b><u>2,365</u></b>	<b><u>4,125</u></b>

Trade payables and other liabilities have not been secured as at 31 December 2023 and 31 December 2022.

As at 31 December 2023 and 2022, no liabilities to social and health insurance or tax authorities were overdue.

Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

As at 31 December 2023 and 2022, the fair value of trade payables and other liabilities equal to their carrying amounts.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 30 – Risk management policies and disclosures.

## 28. Commitments and contingencies

### Off balance sheet liabilities

<i>In millions of EUR</i>	31 December 2023	31 December 2022
Commitments	1,759	2,023
Granted pledges - securities	762	529
Other granted pledges	637	1,361
<b>Total</b>	<b>3,158</b>	<b>3,913</b>

Granted pledges represent securities of individual Group companies used as collateral for external financing.

### Commitments

In 2018, Mitteldeutsche Braunkohlengesellschaft mbH (“MIBRAG”) concluded agreements with Saxony’s Upper Mining Authority (“SOBA”) and Saxony-Anhalt’s State Office of Geology and Mining (“LAGB”), to ensure that the expenses for restoring open-cast mines are covered. The concluded agreements provide for the establishment of a special fund designed to financially shore up future liquidity requirements, which is to be set up successively by transferring certain assets to developed companies by MIBRAG and by reinvesting the assets within the fund.

The two special purpose vehicles were established in 2020 and have since been funded as contractually agreed. MIBRAG is in close contact with the two mining authorities regarding need for adjustments resulting from the dynamic developments of the recent past.

In case of Lynemouth Power Limited, approximately 75-88% of annual biomass consumption (average annual consumption representing 1.5 megatonnes) has been contracted under two “take or pay” schemes, with a certain flexibility. Both contracts are concluded until 31 December 2027.

Majority of remaining commitments is represented by contracts for future purchase of emission rights of EUR 1,594 million (2022: EUR 1,860 million) recognized by EP Produzione Group, MIBRAG GmbH, Saale Energie GmbH, Kraftwerk Mehrum GmbH, EP France Group, EPUKI Group and EP NL Group.

### Other granted pledges

<i>In millions of EUR</i>	31 December 2023	31 December 2022
Trade receivables	419	638
Property, plant and equipment	153	564
Cash and cash equivalents	45	124
Inventories	20	35
<b>Total</b>	<b>637</b>	<b>1,361</b>

### Off balance sheet assets

<i>In millions of EUR</i>	31 December 2023	31 December 2022
Received promises	23	874
Other received guarantees and warranties	2	-
<b>Total</b>	<b>25</b>	<b>874</b>

### Received promises

Received promises comprise mainly loan commitments received by the various companies within the Group.



## 29. Leases

### Leases as a lessee

#### Right-of-use assets

Right-of-use assets related to leased land and buildings and technical equipment, plant and machinery that do not meet the definition of investment property are presented as property, plant and equipment (refer to Note 14).

*In millions of EUR*

	Land and building	Technical equipment, plant and machinery	Total
<b>Balance at 1 January 2023</b>	<b>13</b>	<b>20</b>	<b>33</b>
Depreciation charge for the year	(5)	(28)	(33)
Additions to right-of-use assets	6	34	40
Additions from business combinations	28	-	28
Modifications to right-of-use assets	-	(1)	(1)
Effects of movements in foreign exchange rate	-	(1)	(1)
<b>Balance at 31 December 2023</b>	<b>42</b>	<b>24</b>	<b>66</b>
<b>Balance at 1 January 2022</b>	<b>14</b>	<b>4</b>	<b>18</b>
Depreciation charge for the year	(3)	(36)	(39)
Additions to right-of-use assets	2	52	54
<b>Balance at 31 December 2022</b>	<b>13</b>	<b>20</b>	<b>33</b>

#### Maturity analysis of lease liabilities

*In millions of EUR*

	31 December 2023	31 December 2022
<b>Undiscounted contractual cash flows by maturity</b>		
Up to 3 months	11	6
3 months to 1 year	19	13
1–5 years	18	10
Over 5 years	21	5
<b>Total undiscounted contractual cash flows</b>	<b>69</b>	<b>34</b>
<b>Carrying amount</b>	<b>69</b>	<b>35</b>

#### Amounts recognized in profit or loss

*In millions of EUR*

	2023	2022
Depreciation charge for the year	(33)	(39)
Interest on lease liabilities	(3)	-
Expenses related to short-term leases	(8)	(5)
Expenses related to leases of low-value assets, excluding short-term	(1)	(3)
Expenses related to variable lease payments not included in	(1)	-

#### Amounts recognized in statement of cash flows

*In millions of EUR*

	2023	2022
<b>Total cash outflow for leases</b>	<b>(34)</b>	<b>(39)</b>

### 30. Risk management policies and disclosures

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risks. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate, commodity price risk, foreign exchange risk, concentration risk and regulatory risk.

As part of its operations, the Group is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices. To minimise this exposure, the Group enters into derivatives contracts to mitigate or manage the risks associated with individual transactions and overall exposures, using instruments available on the market.

#### (a) Credit risk

##### *i. Exposure to credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group uses credit databases for analysis of creditworthiness of new customers and after deemed creditworthy they are also subject to Risk committee approval. The Group's policy is also to require suitable collateral to be provided by customers such as a bank guarantee or a parent company guarantee. The exposure to credit risk is monitored on an ongoing basis.

##### **Additional aspects mitigating credit risk**

The Group operates mainly as an energy and power generation company, and thus has a specific customer structure. Increasing proportion of the revenues is generated from the regulated and/or state-controlled entities (especially in relation to the green energy production and services provided to grids; refer to Note 3(o) – Revenues for description of grid services), which represent a comparatively low credit risk. At the same time substantial volume of the transactions is done with large clients with solid credit standing and/or are realized through exchanges, which provides for further risk mitigation.

The carrying amount of financial assets (plus guarantees issued) represents the maximum credit exposure if counterparties fail to carry out completely their contractual obligations and any collateral or security proves to be of no value. The maximum credit exposure amounts disclosed below therefore greatly exceed expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

## Credit risk by type of counterparty

### As at 31 December 2023

*In millions of EUR*

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Total
<i>Assets</i>						
Cash and cash equivalents	-	-	-	1,279	-	1,279
Restricted cash	-	-	-	54	-	54
Trade receivables and other assets	2,985	267	1,184	490	10	4,936
Financial instruments and other financial assets	3,312	-	1,704	18	-	5,034
<b>Total</b>	<b>6,297</b>	<b>267</b>	<b>2,888</b>	<b>1,841</b>	<b>10</b>	<b>11,303</b>

### As at 31 December 2022

*In millions of EUR*

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Total
<i>Assets</i>						
Cash and cash equivalents	-	-	-	1,243	-	1,243
Restricted cash	-	-	-	37	-	37
Trade receivables and other assets	3,873	285	80	898	93	5,229
Financial instruments and other financial assets	6,357	13	1,110	27	-	7,507
<b>Total</b>	<b>10,230</b>	<b>298</b>	<b>1,190</b>	<b>2,205</b>	<b>93</b>	<b>14,016</b>

## Credit risk by location of debtor

### As at 31 December 2023

*In millions of EUR*

	Czech Republic	Italy	Germany	United Kingdom	France	Slovakia	Switzerland	Netherlands	Other	Total
<b>Assets</b>										
Cash and cash equivalents	101	372	309	223	57	-	92	97	28	1,279
Restricted cash	-	-	15	18	-	-	-	15	6	54
Trade receivables and other assets	1,262	1,105	708	631	237	26	247	434	286	4,936
Financial instruments and other financial assets	1,754	79	442	1,020	1,063	16	408	160	92	5,034
<b>Total</b>	<b>3,117</b>	<b>1,556</b>	<b>1,474</b>	<b>1,892</b>	<b>1,357</b>	<b>42</b>	<b>747</b>	<b>706</b>	<b>412</b>	<b>11,303</b>

### As at 31 December 2022

*In millions of EUR*

	Czech Republic	Italy	Germany	United Kingdom	France	Slovakia	Switzerland	Netherlands	Other	Total
<b>Assets</b>										
Cash and cash equivalents	63	425	105	164	104	138	113	86	45	1,243
Restricted cash	-	-	12	20	-	-	-	-	5	37
Trade receivables and other assets	65	923	1,128	1,822	495	14	438	4	340	5,229
Financial instruments and other financial assets	1,555	199	607	1,154	2,985	474	176	27	330	7,507
<b>Total</b>	<b>1,683</b>	<b>1,547</b>	<b>1,852</b>	<b>3,160</b>	<b>3,584</b>	<b>626</b>	<b>727</b>	<b>117</b>	<b>720</b>	<b>14,016</b>

As at 31 December 2023, location Other comprises mainly debtors located in Ireland, Croatia and Hungary (2022: Croatia, Luxembourg and Poland).

**ii. Impairment losses**

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired financial assets (“POCI”). At the date of the initial recognition, the assets is include in Stage I or POCI. Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), respectively credit impaired assets (Stage III).

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. For more details see note 3(i).

**Credit risk – impairment of financial assets**

The following table provides information about the changes in the loss allowance during the period.

<i>In millions of EUR</i>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at 1 January 2023</b>	<b>(20)</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>(24)</b>
Impairment losses recognized during the year	(9)	-	-	-	(9)
Reversal of impairment losses recognized during the year	2	-	2	-	4
Change in credit risk	3	2	-	-	5
<b>Balance at 31 December 2023</b>	<b>(24)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24)</b>

<i>In millions of EUR</i>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at 1 January 2022</b>	<b>(11)</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>(17)</b>
Impairment losses recognized during the year	(12)	(2)	-	-	(14)
Reversal of impairment losses recognized during the year	3	-	3	-	6
Effects of movements in foreign exchange rate	-	-	1	-	1
<b>Balance at 31 December 2022</b>	<b>(20)</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>(24)</b>

The most significant change which contributed to change in the loss allowance during 2023 and 2022 mainly change in the gross carrying amount of trade receivables.

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2023 were as follows:

*In millions of EUR*

	<b>Loans to other than credit institutions</b>	<b>Contract assets</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2023</b>	-	-	(24)	(24)
Impairment losses recognized during the year	-	-	(9)	(9)
Reversals of impairment losses recognized during the year	-	-	4	4
Change in credit risk	-	-	5	5
<b>Balance at 31 December 2023</b>	-	-	(24)	(24)

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2022 were as follows:

	<b>Loans to other than credit institutions</b>	<b>Contract assets</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<i>In millions of EUR</i>				
<b>Balance at 1 January 2022</b>	-	-	(17)	(17)
Impairment losses recognized during the year	-	-	(14)	(14)
Reversals of impairment losses recognized during the year	-	-	6	6
Effects of movements in foreign exchange rate	-	-	1	1
<b>Balance at 31 December 2022</b>	-	-	(24)	(24)

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was:

### Credit risk – impairment of financial assets

As at 31 December 2023

In millions of EUR

	Loans to other than credit institutions	Other short- term deposits (intended for investing activities)	Trade receivables and other assets	Total
Before maturity (net)	1,667	-	4,916	6,583
After maturity (net)			20	20
<b>Total</b>	<b>1,667</b>	<b>-</b>	<b>4,936</b>	<b>6,603</b>
A – Assets (gross)				
- before maturity	1,667	-	4,936	6,603
- after maturity <30 days	-	-	6	6
- after maturity 31–180 days	-	-	4	4
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	14	14
<b>Total assets (gross)</b>	<b>1,667</b>	<b>-</b>	<b>4,960</b>	<b>6,627</b>
B – Loss allowances for assets				
- before maturity	-	-	(20)	(20)
- after maturity <30 days	-	-	-	-
- after maturity 31–180 days	-	-	-	-
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	(4)	(4)
<b>Total loss allowances</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>(24)</b>
<b>Total assets (net)</b>	<b>1,667</b>	<b>-</b>	<b>4,936</b>	<b>6,603</b>

### Credit risk – impairment of financial assets

As at 31 December 2022

In millions of EUR

	Loans to other than credit institutions	Other short- term deposits (intended for investing activities)	Trade receivables and other assets	Total
Before maturity (net)	1,138	13	5,202	6,353
After maturity (net)	-	-	27	27
<b>Total</b>	<b>1,138</b>	<b>13</b>	<b>5,229</b>	<b>6,380</b>
A – Assets (gross)				
- before maturity	1,138	13	5,222	6,373
- after maturity <30 days	-	-	4	4
- after maturity 31–180 days	-	-	19	19
- after maturity 181–365 days	-	-	8	8
- after maturity >365 days	-	-	-	-
<b>Total assets (gross)</b>	<b>1,138</b>	<b>13</b>	<b>5,253</b>	<b>6,404</b>
B – Loss allowances for assets				
- before maturity	-	-	(20)	(20)
- after maturity <30 days	-	-	-	-
- after maturity 31–180 days	-	-	(4)	(4)
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	-	-
<b>Total loss allowances</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>(24)</b>
<b>Total assets (net)</b>	<b>1,138</b>	<b>13</b>	<b>5,229</b>	<b>6,380</b>

Impairment losses on financial assets at amortized cost are calculated based on a 3-stage model. Impairment losses from credit impaired financial assets relate either to trade receivables due from several customers which have already been impaired at the date of the application of a 3-stage model or to receivables where events that have a detrimental impact on the estimated future cash flows of the asset have occurred. Remaining amount of impairment losses represents loss allowances at an amount equal to expected credit losses.

Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on historical provision matrix. Probability of default is taken from a historical provision matrix (set up separately by each component) with element of forward-looking information (the group incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was not significant as at 31 December 2023.

The allowance for impairment in respect of financial assets is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting loss allowance would be negligible and therefore it was not recognized.

## **(b) Liquidity risk**

The Group faces the risk that it will experience difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset as they fall due. In particular, high volatility of commodity prices.

To mitigate its general liquidity risk, the Group focuses on diversifying sources of funds, which gives the Group flexibility and limits its dependency on a single financing source, and also holds a portion of its assets in highly liquid funds. As of 31 December 2023 and 31 December 2022, the Group had available undrawn committed term, revolving credit and overdraft facilities in the amount of EUR 23 million and EUR 874 million, respectively, providing additional liquidity to the Group. In addition, the Group has access to financing to be provided by its parent.

Liquidity risk is evaluated by monitoring changes in the financing structure and comparing these changes with the Group's liquidity risk management strategy. The Group typically seeks to have sufficient cash available on demand and assets with short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations, although this excludes the impact of extreme events that cannot be reliably predicted, like natural disasters. As of 31 December 2023 and 31 December 2022, the Group had EUR 1,279 million and EUR 1,243 million, respectively, of cash and cash equivalents.

The table below provides an analysis of financial liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest required repayment date is shown.



## Maturities of financial liabilities

As at 31 December 2023

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<sup>(2)</sup> 2,417	2,560	34	1,301	1,202	23
Trade payables and other liabilities	<sup>(3)</sup> 2,164	2,164	1,966	182	14	2
Financial instruments and financial liabilities	<sup>(4)</sup> 2,377	2,377	975	1,231	171	-
<b>Total</b>	<b>6,958</b>	<b>7,101</b>	<b>2,975</b>	<b>2,714</b>	<b>1,387</b>	<b>25</b>
<b>Net liquidity risk position <sup>(5)</sup></b>	<b>3,210</b>	<b>3,054</b>	<b>3,641</b>	<b>384</b>	<b>(1,013)</b>	<b>42</b>

\* Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa.

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 23 million.

(3) Advances received and margin payments in amount of EUR 201 million are excluded from the carrying amount as these items will cause no future cash outflow.

(4) Variation margin payments paid in amount of EUR 33 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Variation margin payments represent already cash-effective changes resulting from derivative financial instruments.

(5) Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 838 million as these items will cause no future cash outflow and equity instruments in amount of EUR 89 million as these items are non-monetary assets.

As at 31 December 2022

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<sup>(2)</sup> 1,449	1,462	9	1,142	306	5
Trade payables and other liabilities	<sup>(3)</sup> 3,421	3,421	2,924	395	93	8
Financial instruments and financial liabilities	<sup>(4)</sup> 4,384	4,384	926	2,977	481	-
<b>Total</b>	<b>9,254</b>	<b>9,267</b>	<b>3,859</b>	<b>4,514</b>	<b>880</b>	<b>13</b>
<b>Net liquidity risk position <sup>(5)</sup></b>	<b>2,825</b>	<b>2,766</b>	<b>2,557</b>	<b>354</b>	<b>(500)</b>	<b>355</b>

\* Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa.

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 973 million.

(3) Advances received and margin payments in amount of EUR 704 million are excluded from the carrying amount as these items will cause no future cash outflow.

(4) Variation margin payments paid in amount of EUR 669 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Margin payments represent already cash-effective changes resulting from derivative financial instruments.

(5) Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 1,221 million as these items will cause no future cash outflow and equity instruments in amount of EUR 83 million as these items are non-monetary assets.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

**(c) Interest rate risk**

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The Group uses interest rate swaps and other types of derivatives to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount lower than or equal to that of the underlying financial liability and expiry date, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest-bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2023 is as follows:

<i>In millions of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	1,279	-	-	-	<b>1,279</b>
Restricted cash	30	5	-	19	<b>54</b>
Trade receivables and other assets	155	-	-	4,781	<b>4,936</b>
Financial instruments and other financial assets <sup>(2)</sup>	1,648	63	-	3,323	<b>5,034</b>
<b>Total</b>	<b>3,112</b>	<b>68</b>	<b>-</b>	<b>8,123</b>	<b>11,303</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(1)</sup>	1,730	660	20	7	<b>2,417</b>
Trade payables and other liabilities	21	-	-	2,344	<b>2,365</b>
Financial instruments and financial liabilities <sup>(2)</sup>	58	-	-	2,352	<b>2,410</b>
<b>Total</b>	<b>1,809</b>	<b>660</b>	<b>20</b>	<b>4,703</b>	<b>7,192</b>
<b>Net interest rate risk position</b>	<b>1,303</b>	<b>(592)</b>	<b>(20)</b>	<b>3,420</b>	<b>4,111</b>
Effect of interest rate swaps	2	(2)	-	-	-
<b>Net interest rate risk position (incl. IRS) <sup>(3)</sup></b>	<b>1,305</b>	<b>(594)</b>	<b>(20)</b>	<b>3,420</b>	<b>4,111</b>

(1) Disregarding agreed interest rate swaps.

(2) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position means that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 26 – Financial instruments.

Interest rate risk exposure as at 31 December 2022 was as follows:

<i>In millions of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	1,243	-	-	-	<b>1,243</b>
Restricted cash	12	-	15	10	<b>37</b>
Trade receivables and other assets	3	-	-	5,226	<b>5,229</b>
Financial instruments and other financial assets <sup>(2)</sup>	744	1	279	6,483	<b>7,507</b>
<b>Total</b>	<b>2,002</b>	<b>1</b>	<b>294</b>	<b>11,719</b>	<b>14,016</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(1)</sup>	1,263	176	1	9	<b>1,449</b>
Trade payables and other liabilities	37	6	-	4,082	<b>4,125</b>
Financial instruments and financial liabilities <sup>(2)</sup>	172	38	-	4,843	<b>5,053</b>
<b>Total</b>	<b>1,472</b>	<b>220</b>	<b>1</b>	<b>8,934</b>	<b>10,627</b>
<b>Net interest rate risk position</b>	<b>530</b>	<b>(219)</b>	<b>293</b>	<b>2,785</b>	<b>3,389</b>
Effect of interest rate swaps	6	(6)	-	-	-
<b>Net interest rate risk position (incl. IRS) <sup>(3)</sup></b>	<b>536</b>	<b>(225)</b>	<b>293</b>	<b>2,785</b>	<b>3,389</b>

(1) Disregarding agreed interest rate swaps.

(2) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position means that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 26 – Financial instruments.

### Sensitivity analysis

The Group performs stress testing using a standardised market interest rate shock, for financial assets and liabilities to be repriced up to 1 year time, i.e. an immediate decrease/increase in interest rates by 1% along the whole yield curve is applied to the interest rate positions of the portfolio.

At the reporting date, a change of 1% in market interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<i>In millions of EUR</i>	<b>2023 Profit (loss)</b>	<b>2022 Profit (loss)</b>
<i>Interest rate</i>	<i>EURIBOR</i>	<i>EURIBOR</i>
Decrease in interest rates by 1%	(22)	(4)
Increase in interest rates by 1%	22	4

The analysis stated above does not reflect the impact of change in interest rate on the fair value of derivatives.

**(d) Foreign exchange risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other than the respective functional currencies of Group entities, primarily EUR, CZK, USD and GBP.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts, most with a maturity of less than one year.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currencies of Group entities against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances on the level of individual companies within the Group.

As of 31 December 2023, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

<i>In millions of EUR</i>	<b>CZK</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>	<b>Other</b>
<b>Assets</b>					
Cash and cash equivalents	21	1	3	4	4
Trade receivables and other assets	1,159	2	76	2	91
Financial instruments and other financial assets	-	-	66	15	-
<b>Total (A)</b>	<b>1,180</b>	<b>3</b>	<b>145</b>	<b>21</b>	<b>95</b>
<b>Off balance sheet assets (B)</b>					
Receivables from derivative operations	-	-	-	-	-
	-	-	-	-	-
<b>Liabilities</b>					
Loans and borrowings	873	1	-	40	1
Trade payables and other liabilities	10	3	16	15	23
Financial instruments and financial liabilities	-	-	6	-	1
<b>Total (C)</b>	<b>883</b>	<b>4</b>	<b>22</b>	<b>55</b>	<b>25</b>
<b>Off balance sheet liabilities (D)</b>					
Payables related to derivative operations	-	-	-	-	-
	-	-	-	-	-
<b>Net FX risk position (E) = (A - C)</b>	<b>297</b>	<b>(1)</b>	<b>123</b>	<b>(34)</b>	<b>70</b>
Effect of forward exchange contracts (F) = (B - D)					
<b>Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk) (G) = (E + F)</b>	<b>297</b>	<b>(1)</b>	<b>123</b>	<b>(34)</b>	<b>70</b>

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

As of 31 December 2022, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

<i>In millions of EUR</i>	<b>CZK</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>	<b>Other</b>
<b>Assets</b>					
Cash and cash equivalents	2	1	8	129	2
Trade receivables and other assets	-	-	55	13	-
Financial instruments and other financial assets	3	6	326	51	6
<b>Total (A)</b>	<b>5</b>	<b>7</b>	<b>389</b>	<b>193</b>	<b>8</b>
<b>Off balance sheet assets (B)</b>					
Receivables from derivative operations	-	-	-	-	-
	-	-	-	-	-
<b>Liabilities</b>					
Loans and borrowings	21	-	690	-	20
Trade payables and other liabilities	-	-	22	-	-
Financial instruments and financial liabilities	13	6	241	65	1
<b>Total (C)</b>	<b>34</b>	<b>6</b>	<b>953</b>	<b>65</b>	<b>21</b>
<b>Off balance sheet liabilities (D)</b>					
Payables related to derivative operations	-	-	-	-	-
	-	-	-	-	-
<b>Net FX risk position (E) = (A - C)</b>	<b>(30)</b>	<b>1</b>	<b>(569)</b>	<b>128</b>	<b>(13)</b>
Effect of forward exchange contracts (F) = (B - D)	-	-	-	-	-
<b>Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk) (G) = (E + F)</b>	<b>(30)</b>	<b>1</b>	<b>(569)</b>	<b>128</b>	<b>(13)</b>

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

Off-balance sheet assets and liabilities include payables and receivables from forward exchange contracts (refer to Note 26 – Financial instruments).

The following significant exchange rates applied during the period:

EUR	31 December 2023		31 December 2022	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
CZK 1	0.04166	0.04045	0.04071	0.04147
GBP 1	1.14971	1.15068	1.17266	1.12748
USD 1	0.92484	0.90498	0.94962	0.93756

### Sensitivity analysis

A strengthening (weakening) of the Euro, as indicated below, against the CZK, GBP, PLN and USD at the reporting date would have increased (decreased) net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in millions of EUR	2023 Profit (loss)
CZK (5% strengthening of EUR)	(12)
GBP (5% strengthening of EUR)	(6)
USD (5% strengthening of EUR)	2

Effect in millions of EUR	2022 Profit (loss)
CZK (5% strengthening of EUR)	2
GBP (5% strengthening of EUR)	28
USD (5% strengthening of EUR)	(6)

A weakening of the Euro against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (e) Commodity risk

The Group is exposed to the risk of volatility and long-term changes in the prices of commodities or items that it generates, transports, distributes or uses for its operations, mainly power, gas, coal, biomass, heat and emission allowances, both on the supply and the demand side. This volatility and changes may result from many factors, including, among other things, weather conditions, seasonality, changes in the prices of primary or alternative fuels, transmission or transportation constraints, global economic conditions and geopolitical developments, price and availability of alternative energy sources, the development of renewable energy sources and state subsidies for them, changes in generation efficiencies or changes in production levels and storage costs of gas, coal and various other factors outside of the Group's control. In particular, such volatility and changes may adversely affect margins and spreads that the Group realizes in its operations.

Price fluctuations are particularly significant when there is either a major shortage or substantial excess in the wholesale energy markets. While the Group can profit from situations of major shortage or substantial excess in the wholesale energy markets, there is a risk that high volatility combined with any shortage of products or lack of liquidity could limit the Group's ability to reduce its exposure to risk in the energy markets quickly and efficiently. The Group seeks to limit the risk of commodity price fluctuations using margined, partially margined and non-margined hedging through forward contracts, swaps and other types of derivatives. Commodity derivatives consist primarily of forward contracts for the purchase or sale of power, gas and emission allowances, which are used to hedge the commodity price primarily for power generating companies, as well as gas-related activities.

The Group manages the commodity price risks associated with its proprietary trading activities by generally trading on a back-to-back basis, i.e., purchasing from the market where it has a customer in place to purchase the commodity.

### Sensitivity analysis

A change in the market price of electricity of 1 EUR/MWh would have decreased or increased revenues from sales of electricity by EUR 34 million (2022: EUR 34 million). This analysis assumes that all other variables, in particular gas prices and emission rights prices, remain constant.

**(f) Regulatory risk**

The Group is exposed to risks resulting from the state regulation of electricity, gas and heat industries and by a wide range of changing environmental, heritage, health and safety and other requirements in the Czech Republic, Italy, the United Kingdom, Germany, Ireland, France, the Netherlands, Switzerland and the EU, including those governing the discharge and emission of pollutants (such as the recently published best available techniques for large combustion plants on the basis of Industrial Emissions Directive). Changes to existing regulations or the adoption of other new regulations may have an adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

In reaction to the energy crisis, the Czech Government decided to fix the prices of electricity and gas for certain customers. The prices of electricity and gas were capped by Regulation No. 298/2022 Coll. for the entire year 2023 by setting primarily (i) the maximum price which may be charged by a supplier, (ii) categories of customers to whom the maximum prices apply; and (iii) part of the consumption which is covered by the price cap (if applicable to a specific customer group). Prices were capped for the entire period of 2023 at CZK 2,500 per MWh of gas and CZK 5,000 per MWh of electricity, excluding VAT and regulated charges. Where prices at the fixed level did not cover the justified costs of a supplier, the supplier was entitled to reimbursement of the evidenced loss incurred due to the supply of electricity or gas at the fixed price and a reasonable profit. While these price caps no longer apply in 2024, the Government could reintroduce a similar mechanism should the extraordinary market condition reappear.

In late 2022, a windfall tax was introduced as an amendment to Act No. 586/1992 Coll., the Act on Income Tax, targeting companies in the energy and banking sectors with a tax on surplus profits resulting from the energy crisis. The proceeds of the tax are intended to cover the cost of price caps on electricity and gas customers. The tax period is set to be the calendar years 2023 to 2025 and the tax rate is 60% on top of the regular tax rate, i.e., a tax rate of 79% in total is to be applied on the extra profits. The windfall tax in the energy sector covers entities engaged in power generation except for combined heat and power generation where the ratio of produced power and heat does not exceed a coefficient of 4.4, a condition fulfilled by all heating plants operated by EPPE Group. Within the Group, EP Commodities, a.s. is subject to the windfall tax. The effect of the windfall tax arising from renewable generation sources, such as wind and solar, was immaterial during the reported period from the Group perspective.

The European energy market has been affected by a continuous increase in power generation from renewables and a decline in electricity production in conventional coal-fired and nuclear power plants. This creates uncertainty as to whether there will be sufficient power generation capacity in the coming years. The EPPE Group believes that conventional power production is necessary to ensure security of electricity supply in the European market, in particular in view of the latest events on energy market and variable nature of power generation from renewables.

As current energy crises uncovered, European governments can introduce new regulation to tackle unexpected market situations as happened in 2022. Those can range from extraordinary taxation of profits to capping the revenue that comes from sale of power from selected types of power plants. Changes or extensions of such regulations can affect the Group's operational and financial performance.

Particularly given the need for safeguarding security of electricity supply, the EU Member States have introduced capacity remuneration mechanisms aimed to overcome the market and regulatory inefficiency, mainly the fact that at times of power shortage, energy markets are incapable of offering a sufficiently high price for power generation. This inefficiency has increased as it is precisely renewable sources that have almost zero variable costs.

In particular, the risk of price uncertainty in future auction rounds, the risk of market failures, changes in market parameters, and the risk of abolition of the market are associated with capacity markets. These risks might adversely affect the Group's business, financial position, economic performance, cash flows and prospects.



## **France**

French Government introduced regulation in response to increasing power prices for period until the end of 2023. This regulation caps revenue from power production for all types of technology except hard coal. Revenue cap is based on allowed margin for each type of source (allowed margin plus CO2 allowances plus fuel cost). If similar regulation is approved in future again, decrease of allowed margin or including hard coal power plants might adversely affect Group's performance in future.

## **Germany**

Germany as a reaction to spiking energy prices introduced revenue cap on power produced from lignite until June 2023 and taxation of extraordinary profit in 2022 (windfall tax). Revenue cap is set as allowed margin plus 1.236x of CO2 allowance price. Approval of similar regulation in future might negatively influence Group's performance.

## **The UK**

Renewable power generation of Lynemouth biomass powerplant in the UK is awarded by the contract for difference until 2027, which secures a stable level of revenues by earning payment for difference between market and agreed strike price.

Post Brexit, a new UK ETS trading scheme has been introduced in the UK, replacing the EU ETS on 1 January 2021 to ensure continued decarbonisation of the UK economy. UK ETS has set initial cap 5% below the UK's notional share of EU ETS for Phase IV. During first allocation period (2021-2025) the annual cap is to decline by 4.2mt per year.

The UK ETS trading scheme had initially set a price cap approximately at the current price level of European emission allowances until the actual trading commenced, which happened in the course of 2021. During 2021, UK ETS market participants continuously switched from use of EU ETS as a proxy to UK ETS as liquidity on the market was developing.

## **Italy**

The 2019 Energy and Climate National Package (so called "Piano Nazionale Integrato per l'Energia e il Clima" or "PNIEC"), which was approved by the Italian Government and published in January 2020, provides, among other issues, for the phase-out of coal-fired power generation by 2025 in the country.

More recently, in the Italy adequacy report, Terna has clarified that in order to solve the criticalities in Sardinia and to allow the disposal of coal plants, it will be necessary to realize, in addition to the new Tyrhenian Link connection, a new capacity for about 550 MW of new programmable capacity distributed appropriately on the island. With reference to the Tyrhenian Link, Terna reported that the investment will be completed in 2028 and that the divestiture of the island's coal generation can therefore take place progressively as the new resources enter into service.

Consequently, these declarations impact the future of Fiume Santo power plant, which operation is considered as technically critical to provide stability of power supply on the island. Currently, Fiume Santo is operated under a "must run" regime allowing full cost recovery by 2026.

As a reaction to energy crisis, Italian Government introduced a price cap on power production revenue on several types of power plants including biomass combusting power plants from December 2022 until June 2023 as well as taxation of extraordinary profits achieved by energy companies in 2022 by additional 50% tax rate.

Further, the 2023 budget law, which transposed, with amendments, the provisions contained in European Regulation No. 2022/1854, provided for emergency interventions to deal with high energy prices. In particular, a cap on revenues of 180 EUR/MWh has been set in relation to the sales of electricity made by producers with low marginal costs (the so-called inframarginal technologies). As regards producers using technologies with higher costs than the cap of 180 EUR/MWh, including those using solid or gaseous biomass, the cap, for each technology, will be established on the basis of criteria that will be defined by the Energy Authority (ARERA), taking into account investment and operating costs and a fair return on investments. These measures, which are temporary and extraordinary in nature, are in place from the same period from 1 December 2022 to 30 June 2023.

## EU Emission Trading System

Despite all the EPPE Group's continuous efforts in the area of environmental sustainability, emission allowances represent a significant cost item and emission allowance's price affects substantially economic performance of the Group. In order to achieve environmental benefits, the EU legislation established a system of trading with emission allowances according to the Kyoto Protocol. The international market for CO<sub>2</sub> emission allowances is driven by the EU Emissions Trading System (ETS). EU ETS ended its Phase III, which began on 1 January 2013 and ended on 31 December 2020. Within the Phase IV (2021 – 2030), the overall number of emission allowances was to decline at an annual rate of 2.20 per cent from 2021 onwards. Energy intensive sectors with a high risk of relocation outside of the EU were to be allocated free allowances until 2030 at 100 per cent.

However, in December 2022, European parliament and Council of Ministers agreed on the reform of the ETS, which will become effective from 1 January 2024. This reform was formally adopted by EUR on 25 April 2023, when last step in the approval process was taken. Based on this agreement, the greenhouse gas emissions are to be reduced by 62% by 2030 as compared to 2005 (previous target was by 43%). As result, a 4.3% linear decrease in period 2024-2027 and 4.4% linear decrease in period 2028-2030 in the number of EUAs auctioned annually will be implemented. In addition, annually 24% of the surplus certificates in circulations will be held back in market stability reserve until 2030, while previous legislation expected decrease of the rate to 12% in 2024.

From January 2024, the EU ETS also covers the shipping sector, with emissions from maritime transport being subject to the same cap-and-trade principles as other industries covered by the EU ETS. In 2024, the system starts by covering 40% of emissions from eligible vessels, with the coverage increasing to 70% in 2025 and 100% by 2026. At the same time, 2024 will also start to see free allowances for the aviation sector to be phased out. Free allowances will be reduced by 25% in 2024 and 50% in 2025 while the industry will have to pay for 100% of their emissions from 2026.

However, energy crises in 2022 and increasing power prices triggered action from European Commission that decided to front load sales of allowances that were scheduled to be auctioned between 2027-2030 to before 31 August 2026 to raise around 40% of planned EUR 20 billion.

Together with the increase of non-thermal production in EU (mainly French nuclear fleet) and decreasing power demand from industry, we were witnessing decreasing price of EUA in 2023. If prices are to increase again and it is not reflected in power prices, it might have a negative impact on the Group.

## (g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

<i>In millions of EUR</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Loans and borrowings	2,417	1,449
Less: cash and cash equivalents	1,279	1,243
<b>Net financial debt</b>	<b>1,138</b>	<b>206</b>
Underlying EBITDA <sup>(1)</sup>	2,368	2,918
<b>Net leverage</b>	<b>0.5</b>	<b>0.1</b>

(1) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, change in impairment on financial instruments and other financial assets, share of profit (loss) of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures, joint operations and associates, depreciation, amortization and impairment of tangible and intangible assets and negative goodwill.

(2) It must be noted that Underlying EBITDA and Net leverage are not measures that are defined under IFRS. These measures are construed as determined by the Board of Directors and are presented to disclose additional information to measure the

*economic performance of the Group's business activities. These terms should not be used as a substitute to net income, revenues or operating cash flows or any other measure as derived in accordance with IFRS. These non-IFRS measures should not be used in isolation or as substitutes for analysis of our results as reported under IFRS. These measures may not be comparable to similarly titled measures used by other companies.*

### Underlying EBITDA reconciliation to the closest IFRS measure

<i>In millions of EUR</i>	2023	2022
<b>Underlying EBITDA</b>	<b>2,368</b>	<b>2,918</b>
Depreciation, amortization and impairment	(340)	(354)
Finance income	177	68
Change in impairment on financial instruments and other financial assets	(9)	-
Finance expense	(192)	(198)
Share of profit of equity accounted investees, net of tax	767	800
Gain on disposal of subsidiaries, joint ventures, joint operations and associates	96	-
Income tax	(463)	(596)
<b>Profit for the year</b>	<b>2,404</b>	<b>2,638</b>

## (h) Hedge accounting

### Cash flow hedge

The balance as at 31 December 2023 represents primarily derivative agreements to hedge on interest rate, foreign exchange rate, electricity and gas price and derivative agreements to hedge emission rights price.

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity.

During the period the Group reclassified EUR 59 million (positive impact on profit or loss) from hedging reserves to profit or loss (2022: EUR 251 million (negative impact on profit or loss)).

The following table provides a reconciliation of amounts recorded in equity attributable to owners of the Company by category of hedging instrument:

<i>In millions of EUR</i>	Currency forwards - cash flow hedge <sup>(1)</sup>	Equity accounted investees - cash flow hedge	Commodity derivatives - cash flow hedge	Interest rate swaps - cash flow hedge	Total
<b>Balance at 1 January 2023</b>	<b>157</b>	<b>(33)</b>	<b>290</b>	<b>5</b>	<b>419</b>
Cash flow hedges reclassified to profit or loss	(49)	-	(10)	-	(59)
Deferred tax – cash flow hedges reclassified to profit or loss	12	-	3	-	15
Revaluation of cash flow hedges	(2)	-	(130)	(4)	(136)
Deferred tax – cash flow hedges revaluation	1	-	(32)	1	(30)
Changes in hedging reserves recognized by equity accounted investees	-	(17)	-	-	(17)
Hedging reserve of equity accounted investees reclassified to profit or loss on disposal, net of tax	-	53	-	-	53
<b>Balance at 31 December 2023</b>	<b>119</b>	<b>3</b>	<b>121</b>	<b>2</b>	<b>245</b>

(1) As at 31 December 2023 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2023 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

*In millions of EUR*

	Currency forwards - cash flow hedge <sup>(1)</sup>	Equity accounted investees - cash flow hedge	Commodity derivatives - cash flow hedge	Interest rate swaps - cash flow hedge	Total
<b>Balance at 1 January 2022</b>	<b>91</b>	<b>428</b>	<b>(225)</b>	<b>1</b>	<b>295</b>
Effect from change of functional currency	-	4	-	-	4
Cash flow hedges reclassified to profit or loss	87	-	164	-	251
Deferred tax – cash flow hedges reclassified to profit or loss	(21)	-	(39)	-	(60)
Revaluation of cash flow hedges	-	-	396	5	401
Deferred tax – cash flow hedges revaluation	-	-	(6)	(1)	(7)
Changes in hedging reserves recognized by equity accounted investees	-	(465)	-	-	(465)
<b>Balance at 31 December 2022</b>	<b>157</b>	<b>(33)</b>	<b>290</b>	<b>5</b>	<b>419</b>

(1) As at 31 December 2022 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2022 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

#### *Cash flow hedges – hedge of commodity price risk of gas*

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales and purchases of gas. The hedging instruments are commodity swaps concluded with third parties to hedge selling price of gas in-kind sold and purchase price of gas purchased. The hedged items are proportions of expected cash outflows or inflows for commodities purchased or sold that are expected to occur and impact profit or loss in 2023 till 2024. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of positive EUR 21 million (2022: positive EUR 71 million).

#### *Cash flow hedges – hedge of commodity price risk of emission allowances*

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from purchase of emission allowances in UK and EU. The hedging instruments are commodity swaps concluded with third parties to hedge purchase price of emission allowances needed to cover the production. The hedged items are proportions of expected cash outflows for emission allowances purchased that are expected to occur and impact profit or loss in 2022 till 2023. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 190 million (2022: positive EUR 444 million).

The following tables provide details of cash flow hedge commodity derivatives gas, power, emission allowances and coal for commodity price risk recorded by the Group as at 31 December 2023 and 2022:

*In millions of EUR*

	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>31 December 2023</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	271	83	889	602
3 months to 1 year	360	433	960	1,030
1–5 years	45	32	161	148
Over 5 years	-	-	-	-
<b>Total</b>	<b>676</b>	<b>548</b>	<b>2,010</b>	<b>1,780</b>

*In millions of EUR*

	<b>31 December 2022</b>	<b>31 December 2022</b>	<b>31 December 2022</b>	<b>31 December 2022</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	496	377	2,175	2,084
3 months to 1 year	325	167	694	530
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>821</b>	<b>544</b>	<b>2,869</b>	<b>2,614</b>

*Cash flow hedges – hedge of foreign currency risk with financial derivatives*

The Group applies hedge accounting for hedging instruments designed to hedge the foreign currency risk cash-flows from biomass purchases denominated in foreign currencies (USD and CAD). The hedging instruments are foreign currency forwards concluded with third parties. The hedged items are proportions of expected cash outflows in USD and CAD that are expected to occur and impact profit or loss in periods of 2024 to 2027. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in foreign currency cash flow hedge reserve of negative EUR 38 million (2022: positive EUR 66 million).

The following tables provide details of cash flow hedge currency derivatives recorded by the Group as at 31 December 2023 and 2022:

*In millions of EUR*

	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>31 December 2023</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	-	2	162	163
3 months to 1 year	2	-	381	380
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>543</b>	<b>543</b>

*In millions of EUR*

	<b>31 December 2022</b>	<b>31 December 2022</b>	<b>31 December 2022</b>	<b>31 December 2022</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	-	-	30	30
3 months to 1 year	-	-	-	-
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>30</b>

*Cash flow hedges – equity accounted investees*

The joint venture LEAG group applies hedge accounting for commodity hedging instruments designed to hedge cash-flows to purchase emission rights. The hedging instruments are commodity derivatives designed to hedge purchase price for future purchases of emission rights. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in a cash flow hedge reserve of negative EUR 17 million during the six-month period ended 30 June 2023 (positive 2022: negative EUR 465 million). From 30 June 2023, the Group ceased to apply equity method as joint venture LEAG was classified under assets held for sale. With the subsequent disposal of LEAG in the second half of 2023, the Group reclassified hedging reserve of negative EUR 53 million into profit or loss.

### 31. Related parties

The Group has a related party relationship with its shareholder and other parties, as identified in the following table:

#### Balances with related parties

The summary of outstanding balances with related parties as at 31 December 2023 and 31 December

*In millions of EUR*

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Companies controlled by ultimate shareholder	3,019	3,201	1,621	1,675
Associates and joint ventures	-	-	22	184
Other related parties	1	3	-	-
<b>Total</b>	<b>3,020</b>	<b>3,204</b>	<b>1,643</b>	<b>1,859</b>

(1) Daniel Křetínský represents the ultimate shareholder.

#### Transactions with related parties

The summary of transactions with related parties during the period ended 31 December 2023 and 31

*In millions of EUR*

	Revenues and other income 2023	Expenses 2023	Revenues and other income 2022	Expenses 2022
Companies controlled by ultimate shareholder	1,104	(3,151)	1,520	(941)
Associates and joint ventures	1,162	(1,342)	1,556	(2,939)
Other related parties	90	(42)	-	-
<b>Total</b>	<b>2,356</b>	<b>(4,535)</b>	<b>3,076</b>	<b>(3,880)</b>

(1) Daniel Křetínský represents the ultimate shareholder.

All transactions were performed under the arm's length principle with the exception of the prolongation of the zero-interest loan provided by EPH, see Note 26 for more details.

#### Transactions with the key management personnel

For the financial years ended 31 December 2023 and 2022 the EPPE Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Power Europe, a.s., Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, EP Commodities, a.s., EP Produzione S.p.A. Group, EPNEI Group, MIBRAG Energy Group, Saale Energie GmbH, Kraftwerk Mehrum GmbH, EP Kilroot Limited, EP Ballylumfort Limited, EP France Group, Tynagh Energy Limited and EP Power Minerals Group.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

*In millions of EUR*

	2023	2022
Nr. of personnel	44	40
Compensation, fees and rewards	16	16
Compulsory social security contributions	3	2
<b>Total</b>	<b>19</b>	<b>18</b>

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses. All transactions were performed under the arm's length principle.

## 32. Litigations and claims

### **Biomasse Italia S.p.A. and Biomasse Crotone S.p.A.**

A criminal investigation in connection with which certain former directors of Biomasse Italia S.p.A. and Biomasse Crotone S.p.A. as well as an employee of the company Biomasse Italia S.p.A. was closed and the trial phase started. Further to the closing of the investigation, the proceeding no longer includes the two former directors of the company. However, the employee of Biomasse Italia S.p.A. was included. The companies were not subject to any investigation. Based on the information received so far, there are no elements which could indicate that criminal proceedings could be brought against the companies or that proceedings potentially affecting the companies' assets could be initiated. The Group will continue to monitor the progress of the case.

### **EP Resources AG ("EPR AG")**

An arbitration is pending between EPR AG and a Russian supplier regarding the alleged breach by EPR AG of five coal supply contracts following international sanctions imposed on Russia in March 2022 due to the invasion of Ukraine. The supplier claimed damages amounting to USD 221 million for non-performance of the contracts. The arbitration started in January 2023 (letter before claim was sent on 30 December 2022) and the claimant made the submission of claims on 31 March 2023. EPR AG submitted its defence in June 2023 and denied the claim in full. The analysis carried out by EPR's legal representatives, supported by the opinion of several EU regulatory authorities as well as renowned legal experts concluded that international sanctions prevented EPR AG to perform since the performance of the contracts would result in making resources available to sanctioned individuals and/or in other breach of relevant sanctions regimes. It is not possible to predict the exact outcome of the arbitration at this stage of the proceedings, however based on the legal analysis EPR strongly believes that the sanctions in place prevented the company from off-taking the five coal contracts from the Russian supplier and that the claim as a whole will be dismissed. In September 2023, the claimant initiated another arbitration regarding the same contracts and the same amount only this time adding a bank to which the contracts were assigned to (as a security) as a respondent. EPR AG believes the claimant cannot initiate the second arbitration regarding the same claim while the first one is still pending and expects that the proceedings will be terminated by the tribunal.

In July 2023 another Russian coal supplier asked EPR AG to pay damages amounting to USD 44 million for not off taking the coal per the framework supply contract. EPR AG denied this claim in full since it believes (as in the aforementioned case) that the international sanctions prevented the performance of the framework contract. Although the coal supplier expressed his willingness to start an arbitration if the claim was not satisfied, as of this date the arbitration has not yet commenced.

Since EPR AG views all claims as unsubstantiated no provision was recorded as of 31 December 2023.



### 33. Subsequent events

In February 2024, the Board of Directors decided to distribute an amount of profit of the year 2023 of EUR 1,479 million as dividend (EUR 12,572 per share). This dividend was settled against the interim dividend paid out during 2023.

Furthermore on 29 February 2024, the Board of Directors decided to distribute an amount of EUR 1,151 million as interim dividend based on the interim financial statements of EPPE for the period of January 1 to January 31, 2024.

In March 2024, EP Centrale Ostiglia S.p.A. signed a new EUR 320 million project finance facility. This financing will cover costs incurred in relation to construction of a new 881 MW CCGT power plant in Italy.

On 24 March 2024, EP UK Investments Ltd, subsidiary of EPH, announced that the first of its new Open Cycle Gas Turbines (OCGTs) at Kilroot exported electricity to the Northern Ireland Transmissions System. The OCGTs at Kilroot represent a significant investment by the Company in Northern Ireland and this lower carbon flexible generation will support the transition towards Northern Ireland's Net Zero climate targets. The units are important to maintain security of electricity supply whilst ensuring the continuation of indigenous, dispatchable generation in Northern Ireland. The OCGTs at Kilroot will be the first new large-scale gas turbines delivered under the integrated All-Island electricity market arrangements and the first large scale gas generation plant delivered in Northern Ireland since 2005.

On 28 March 2024, the Group has ceased operations at Mehrum coal unit (690 MW) as part of its commitment to a sustainable future without coal. The decommissioning of this coal power plant underscores the Group's commitment to transforming towards sustainable electricity production.

On 9 April, EP Produzione, subsidiary of EPPE has successfully connected a new 800 MW combined cycle unit at the Tavazzano and Montanaso plant marking a pivotal step towards sustainable energy production. The unit's synchronization with the national electricity grid is an important step towards the commissioning of the unit, enabling clean energy supply for over 1.5 million households annually. This milestone reflects the Group's commitment to European energy transformation. The unit, equipped with Ansaldo Energia's advanced GT36 gas turbine technology, supports Italy's transition to renewable energy with its set up for the combustion of hydrogen, in a mixture of up to 70%. The new, highly flexible, and low-emission unit will act as a reliable partner for the national grid, balancing the fluctuations inherent in renewable sources.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2023.

<p>Date:</p> <p>3 May 2024</p>	<p>Signature of the authorised representative</p>  <p>Mgr. Marek Spurný Vice-Chairman of the Board of Directors</p>  <p>Mgr. Pavel Horsky Vice-Chairman of the Board of Directors</p>
--------------------------------	--

**Appendices\*:**

Appendix 1 – Business combinations

Appendix 2 – Restated Consolidated statement of comprehensive income

\* *Information contained in the appendices form part of the complete set of these consolidated financial statements.*

## Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as at the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

### Effect of acquisitions

#### i. 31 December 2023

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Rijnmond Power Holding B.V. are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2023 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	20	(2)	18
Trade receivables and other assets	6	-	6
Inventories	1	-	1
Cash and cash equivalents	20	-	20
Deferred tax assets	4	-	4
Provisions	(9)	-	(9)
Loans and borrowings	(7)	-	(7)
Trade payables and other liabilities	(31)	-	(31)
<b>Net identifiable assets and liabilities</b>	<b>4</b>	<b>(2)</b>	<b>2</b>
Goodwill on acquisitions of subsidiaries			10
<b>Cost of acquisition</b>			<b>12</b>
Consideration paid, satisfied in cash (A)			12
<b>Total consideration transferred</b>			<b>12</b>
Less: Cash acquired (B)			20
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>8</b>

(1) Represents values at 100% share.

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised since the acquisition date*	152
Profit (loss) of the acquirees recognised since the acquisition date*	(3)

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2023*	152
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	(3)

\* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date PZEM and Sloe Group are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2023 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	367	(127)	240
Intangible assets	4	(2)	2
Trade receivables and other assets	791	-	791
Financial instruments and other financial assets	382	-	382
Inventories	30	-	30
Cash and cash equivalents	127	-	127
Deferred tax assets	60	33	93
Provisions	(81)	-	(81)
Deferred tax liabilities	(2)	-	(2)
Loans and borrowings	(573)	-	(573)
Financial instruments and other financial liabilities	(552)	-	(552)
Trade payables and other liabilities	(148)	-	(148)
<b>Net identifiable assets and liabilities</b>	<b>405</b>	<b>(96)</b>	<b>309</b>
Goodwill on acquisitions of subsidiaries			2
<b>Cost of acquisition</b>			<b>311</b>
Consideration paid, satisfied in cash (A)			311
<b>Total consideration transferred</b>			<b>311</b>
Less: Cash acquired (B)			127
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(184)</b>

(2) Represents values at 100% share.

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised since the acquisition date*	1,752
Profit (loss) of the acquirees recognised since the acquisition date*	200

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2023*	1,752
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	200

\* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of MaasStroom Energie C.V. are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2023 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	42	129	171
Trade receivables and other assets	17	-	17
Inventories	5	-	5
Cash and cash equivalents	9	-	9
Provisions	(14)	-	(14)
Deferred tax liabilities	(10)	(24)	(34)
Loans and borrowings	(39)	-	(39)
Trade payables and other liabilities	(50)	27	(23)
<b>Net identifiable assets and liabilities</b>	<b>(40)</b>	<b>132</b>	<b>92</b>
Goodwill on acquisitions of subsidiaries			-
<b>Cost of acquisition</b>			<b>92</b>
Consideration paid, satisfied in cash (A)			92
<b>Total consideration transferred</b>			<b>92</b>
Less: Cash acquired (B)			9
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(83)</b>

(3) Represents values at 100% share.

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised since the acquisition date*	10
Profit (loss) of the acquirees recognised since the acquisition date*	(4)

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2023*	24
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	(10)

\* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Enecogen V.O.F. are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2023 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	196	47	243
Intangible assets	11	-	11
Trade receivables and other assets	34	(27)	7
Financial instruments and other financial assets	6	-	6
Cash and cash equivalents	12	-	12
Deferred tax assets	4	-	4
Provisions	(12)	-	(12)
Deferred tax liabilities	(7)	(5)	(12)
Loans and borrowings	(7)	-	(7)
Trade payables and other liabilities	(42)	-	(42)
<b>Net identifiable assets and liabilities</b>	<b>195</b>	<b>15</b>	<b>210</b>
Goodwill on acquisitions of subsidiaries/joint operations			1
<b>Cost of acquisition</b>			<b>211</b>
Consideration paid, satisfied in cash (A)			211
<b>Total consideration transferred</b>			<b>211</b>
Less: Cash acquired (B)			12
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(199)</b>

(4) Represents values at 100% and values at 50% share for joint operation Enecogen V.O.F.

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised since the acquisition date*	40
Profit (loss) of the acquirees recognised since the acquisition date*	16

<i>In millions of EUR</i>	<b>2023 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2023*	140
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	45

\* Before intercompany eliminations with other Group companies.

## Appendix 2 - Group entities

The list of the Group entities as at 31 December 2023 and 31 December 2022 is set out below:

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
EP Power Europe, a.s. *	Czech Republic	-	-	-	-	-	-
EPPE Germany, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Lausitz Energie Kraftwerke AG <sup>(1)</sup>	Germany	-	-	10	Direct	-	Equity
Lausitz Energie Bergbau AG <sup>(1)</sup>	Germany	-	-	10	Direct	-	Equity
LEAG Holding, a.s. <sup>*(1)</sup>	Czech Republic	-	-	50	Direct	-	Equity
Lausitz Energie Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Kraftwerke AG	Germany	-	-	80	Direct	-	Equity
Kraftwerk Schwarze Pumpe GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Bergbau AG	Germany	-	-	80	Direct	-	Equity
GMB GmbH	Germany	-	-	100	Direct	-	Equity
Transport- und Speditionsgesellschaft Schwarze Pumpe mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Verwaltungsgesellschaft Brandenburg mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
Holzkontor und Pelletierwerk Schwedt GmbH	Germany	-	-	100	Direct	-	Equity
Propell GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LandWerte Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
LE Erneuerbare Energien Sachsen Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie PV Zschornowitz GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
EVA Verwaltungs GmbH	Germany	-	-	50	Direct	-	At cost
EVA Jänschwalde GmbH & Co. KG	Germany	-	-	50	Direct	-	Equity
Gaskraftwerk Leipheim GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
Gaskraftwerk Leipheim Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
PV Böhlen GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
SERO LAUSITZ GmbH	Germany	-	-	100	Direct	-	Equity
MCR Engineering Lausitz GmbH	Germany	-	-	100	Direct	-	Equity
energy cubes GmbH	Germany	-	-	100	Direct	-	Equity
LandWerte Immobilien & Entwicklung GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEFPV Cottbuser Ostsee GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEPV Energiepark Bohrau GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEPV Boxberg GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEPV Jänschwalde GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEWP Forst Briesnig 2 GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
EP New Energies GmbH <sup>(2)</sup>	Germany	-	-	20	Direct	Full	Full
EP New Energy Italia S.r.l. <sup>(2)</sup>	Italy	-	-	49	Direct	Full	Full
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Full	Full

Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
Sunrise HoldCo GmbH	Germany	-	-	-	-	-	-
Sunrise BidCo GmbH <sup>(3)</sup>	Germany	-	-	-	-	At cost	-
EP New Energies GmbH	Germany	80	Direct	80	Direct	Full	Full
EP Mehrum GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Mehrum GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Energy Group GmbH (JTSD - Braunkohlebergbau GmbH) <sup>(4)</sup>	Germany	90	Direct	90	Direct	Full	Full
MIBRAG GmbH (Mitteldeutsche Braunkohlen Gesellschaft mbH) <sup>(5)</sup>	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Full	Full
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Full	Full
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Full	Full
MITAFF GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	50	Direct	50	Direct	At cost	At cost
WP Helmstedter Revier I GmbH (Zukunft II GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Geo!D GmbH (BHKW Profen GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH <sup>(6)</sup>	Germany	-	-	50	Direct	-	At cost
Groitzscher Wohnwelt GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MINCA GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MCS GmbH (Zukunft XIII GmbH) <sup>(7)</sup>	Germany	50	Direct	-	-	At cost	At cost
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	30.5	Direct	30.5	Direct	Full	Full
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Full	Full
MITAFF GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	50	Direct	50	Direct	At cost	At cost
WP Helmstedter Revier I GmbH (Zukunft II GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Geo!D GmbH (BHKW Profen GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH <sup>(6)</sup>	Germany	-	-	50	Direct	-	At cost
Groitzscher Wohnwelt GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MINCA GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MCS GmbH (Zukunft XIII GmbH) <sup>(7)</sup>	Germany	50	Direct	-	-	At cost	At cost



Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	30.5	Direct	30.5	Direct	Full	Full
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Photovoltaikpark Peres III GmbH (Zukunft XII GmbH)	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XIII GmbH <sup>(7)</sup>	Germany	-	-	100	Direct	At cost	At cost
Zukunft XIV GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XV GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XVI GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
EP Power Minerals GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Power Minerals CZ, a.s. (EPHCEI HoldCo a.s.) <sup>(8)</sup>	Czech Republic	100	Direct	-	-	At cost	At cost
Surschiste, S.A. <sup>(9)</sup>	France	100	Direct	-	-	Full	Full
EP Power Grit GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Power Grit N.V.	Belgium	100	Direct	100	Direct	Full	Full
EP Power Grit B.V.	Netherlands	100	Direct	100	Direct	At cost	At cost
EP Power Grit Hamburg GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Power Grit Oy AB	Finland	100	Direct	100	Direct	At cost	At cost
MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH	Germany	100	Direct	100	Direct	Full	Full
Felix Höltnen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MINERALplus Stork GmbH (MINERALplus Stork GmbH & Co. KG) <sup>(10)</sup>	Germany	74	Direct	74	Direct	At cost	At cost
MINERALplus Stork Verwaltungs-GmbH <sup>(10)</sup>	Germany	-	-	100	Direct	-	At cost
Euroment B.V.	Netherlands	50	Direct	50	Direct	At cost	At cost
EP ENERGO MINERAL Sp. Z o.o.	Poland	50	Direct	50	Direct	At cost	At cost
EP Energo Mineral Deutschland GmbH	Germany	100	Direct	100	Direct	At cost	At cost
STEAG Energo Mineral CZ s.r.o. v likvidaci <sup>(11)</sup>	Czech Republic	-	-	65	Direct	-	At cost
Power Minerals Ltd.	United Kingdom	100	Direct	100	Direct	At cost	At cost
Orbolite Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Biolite Technologies Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Powerment GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Powerment Verwaltungs GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Hawar Power Minerals W.L.L.	Qatar	49	Direct	49	Direct	At cost	At cost
Myrdalssandur ehf.	Iceland	100	Direct	90	Direct	At cost	At cost
EP Power Minerals Asia Pte.Ltd.	Singapore	100	Direct	100	Direct	At cost	At cost
Hoang Son Fly Ash and Cement JSC	Vietnam	50	Direct	50	Direct	At cost	At cost
EP Power Minerals Americas INC.	United States of America	100	Direct	100	Direct	At cost	At cost
EP CTA GmbH	Germany	100	Direct	100	Direct	At cost	At cost
EP UK Investments Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Eggborough Power Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Eggborough New Energy Developments Limited	United Kingdom	100	Direct	-	-	At cost	-
Lynemouth Power Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP UK Power Development Ltd	United Kingdom	100	Direct	100	Direct	Full	Full
EP SHB Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humberland Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Langage Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Ballylumford Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Kilroot Limited	United Kingdom	100	Direct	100	Direct	Full	Full

Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Tynagh Energy Limited	Ireland	80	Direct	80	Direct	Full	Full
RVA Group Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Consulting Engineers Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Europe Limited	Cyprus	100	Direct	100	Direct	At cost	At cost
RVA Engineering Solutions Ltd	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP UK Finance Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humbly Grove Energy Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humbly Grove Energy Services Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Waste Management Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP NI Energy Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Eggborough Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Dublin Energy Limited	Ireland	100	Direct	100	Direct	At cost	At cost
EP Energy Developments Limited	Ireland	100	Direct	100	Direct	At cost	At cost
EP Invest Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Belfast Power Holdings Limited <sup>(12)</sup>	United Kingdom	-	-	100	Direct	-	At cost
Belfast Power Limited <sup>(13)</sup>	United Kingdom	-	-	100	Direct	-	At cost
Resource Invest AG (EP Commodities AG) <sup>(14)</sup>	Switzerland	-	-	100	Direct	-	At cost
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Commodities Ukraine TOB	Ukraine	100	Direct	100	Direct	At cost	At cost
EP Produzione S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Fiume Santo S.p.A.	Italy	100	Direct	100	Direct	Full	Full
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	75	Direct	Full	Full
Centro Energia Ferrara S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Ep Centrale Tavazzano Montanaso S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Ep Centrale Ostiglia S.p.A. (EPP 2 S.r.l.) <sup>(15)</sup>	Italy	100	Direct	100	Direct	Full	At cost
EP Energia Italia S.r.l. (EPP 3 S.r.l.) <sup>(16)</sup>	Italy	100	Direct	100	Direct	At cost	At cost
Ergosud S.p.A.	Italy	50	Direct	50	Direct	Equity	Equity
EP New Energy Italia S.r.l.	Italy	51	Direct	51	Direct	Full	Full
Fusine Energia S.r.L.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Servizi S.r.l.	Italy	51	Direct	51	Direct	At cost	At cost
EP France Développement SAS	France	100	Direct	100	Direct	At cost	At cost
EP France S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Generation S.A.S.	France	100	Direct	100	Direct	Full	Full
Aerodis, S.A.	France	100	Direct	100	Direct	Full	Full
Surschiste, S.A. <sup>(9)</sup>	France	-	-	100	Direct	Full	Full
Société des Eaux de l'Est S.A.	France	25	Direct	25	Direct	At cost	At cost
Illico S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Renouvelables S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Solaire S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Solutions S.A.S.	France	100	Direct	100	Direct	Full	Full
Dynamo S.A.S.	France	100	Direct	100	Direct	Full	Full
EP France Management & Services S.A.S.	France	100	Direct	100	Direct	Full	Full
C.S.E. Coulomb	France	100	Direct	-	-	Full	-
EP Netherlands B.V.	Netherlands	100	Direct	100	Direct	Full	Full
Rijnmond Power Holding B.V.	Netherlands	100	Direct	-	-	Full	-
PZEM Pipe B.V.	Netherlands	100	Direct	-	-	Full	-
PZEM Energy Company B.V.	Netherlands	100	Direct	-	-	Full	-

Notes to the consolidated financial statements of EP Power Europe, a.s. as of and for the year ended 31 December 2023

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
PZEM Tolling Sloe B.V.	Netherlands	100	Direct	-	-	Full	-
Sloe Centrale Holding B.V.	Netherlands	50	Direct	-	-	Full	-
Sloe Centrale B.V.	Netherlands	100	Direct	-	-	Full	-
Sloe Centrale Holding B.V.	Netherlands	50	Direct	-	-	Full	-
Sloe Centrale B.V.	Netherlands	100	Direct	-	-	Full	-
Camden B.V.	Netherlands	100	Direct	-	-	Full	-
Kilburn B.V.	Netherlands	100	Direct	-	-	Full	-
Hampstead B.V.	Netherlands	100	Direct	-	-	Full	-
Primrose Power Holdings B.V.	Netherlands	100	Direct	-	-	Full	-
Belsize Power Holdings B.V.	Netherlands	100	Direct	-	-	Full	-
Enecogen V.O.F.	Netherlands	50	Direct	-	-	Proportionate	-
Nieuwe Maas Energie B.V.	Netherlands	100	Direct	-	-	Full	-
MassStroom Energie C.V.	Netherlands	99	Direct	-	-	Full	-
Spui Energie B.V.	Netherlands	100	Direct	-	-	Full	-
MaasStroom Energie C.V.	Netherlands	100	Direct	-	-	Full	-
Rijnmond Operations B.V.	Netherlands	100	Direct	-	-	Full	-
EP Commodities AG (EP Commodity Solutions AG, International Resource Invest AG) <sup>(17)</sup>	Switzerland	100	Direct	100	Direct	Full	Full
MENH a.s.	Czech Republic	100	Direct	-	-	At cost	-
Sunrise BidCo GmbH <sup>(3)</sup>	Germany	100	Direct	-	-	At cost	-
EP Ukraine B.V.	Netherlands	90	Direct	90	Direct	Full	Full
EP Hungary s.r.o.	Czech Republic	90	Direct	100	Direct	At cost	At cost
HHE Group Ventures Kft.	Hungary	50	Direct	50	Direct	At cost	At cost
Pusztaszer Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Darany Energy Kft.	Hungary	100	Direct	-	-	At cost	-
HHE DrávaP Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Industrial Park Opatovice s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EP Resources AG	Switzerland	100	Direct	100	Direct	Full	Full
EPR ASIA PTE. LTD.	Singapore	100	Direct	100	Direct	At cost	At cost
EP Resources CZ a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Resources PL S.A.	Poland	100	Direct	100	Direct	Full	Full
EP Resources DE GmbH	Germany	100	Direct	100	Direct	Full	Full
Boldore a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Greeninvest Energy, a.s.	Czech Republic	39.73	Direct	41.67	Direct	Equity	Equity
EP Risk Management Services, a.s. (EP BidCo Storage, a.s.) <sup>(18)</sup>	Czech Republic	100	Direct	100	Direct	At cost	At cost
GENETT GAS a.s.	Czech Republic	30	Direct	30	Direct	At cost	At cost

\* Holding entity

- (1) During 2023, in a series of transactions the Group disposed of its interests in Lausitz Energie Verwaltungs GmbH, Lausitz Energie Bergbau AG, Lausitz Energie Kraftwerke AG.
- (2) Disposed ownership interest relates only to share held indirectly by LEAG and does not include share held directly by EPPE Group.
- (3) On 19 December 2023, Sunrise BidCo GmbH was transferred to EP Power Europe, a.s. as a part of internal reorganization.
- (4) On 1 September 2023, JTSD-Braunkohlebergbau GmbH was renamed to MIBRAG Energy Group GmbH.
- (5) On 1 September 2023, Mitteldeutsche Braunkohlengesellschaft mbH was renamed to MIBRAG GmbH.
- (6) On 1 April 2023, Photovoltaikpark Peres II GmbH merged with MINCA GmbH (successor company).

- (7) On 23 March 2023, Zukunft XIII GmbH was transferred from MIBRAG GmbH to Tagebau Profen GmbH & Co. KG (50% share) and Tagebau Schleenhein GmbH & Co. KG (50% share) as a part of internal reorganization.*
- (8) On 12 April 2023, EPHCEI HoldCo a.s. was renamed to EP Power Minerals CZ, a.s. On 25 April 2023, EP Power Minerals CZ, a.s. was transferred from Energetický a průmyslový holding, a.s to EP Power Minerals GmbH as a part of internal reorganization.*
- (9) On 1 January 2023, Surschiste, S.A was sold from Gazel Energie Generation S.A.S. to EP Power Minerals GmbH.*
- (10) On 3 July 2023, MINERALplus Stork Verwaltuns GmbH merged with MINERALplus Stork GmbH (successor company). With the merger, the successor company changed legal form from GmbH & Co. KG to GmbH.*
- (11) On 17 April 2023, STEAG Energo Mineral CZ s.r.o. v likvidaci was deleted from Commercial Register.*
- (12) On 20 June 2023, Belfast Power Holdings Limited was deleted from Commercial Register.*
- (13) On 20 June 2023, Belfast Power Limited was deleted from Commercial Register.*
- (14) On 16 January 2023, EP Commodities AG was renamed to Resource Invest AG. On 25 January 2023, Resource Invest AG was sold outside the Group.*
- (15) On 19 April 2023, EPP 2 S.r.l. was renamed to Ep Centrale Ostiglia S.p.A.*
- (16) On 16 October 2023, EPP 3 S.r.l. was renamed to EP Energia Italia S.r.l.*
- (17) On 12 January 2023, International Resource Invest AG was renamed to EP Commodity Solutions AG, subsequently on 24 February 2023, EP Commodity Solutions AG was renamed to EP Commodities AG.*
- (18) On 23 August 2023, EP BidCo Storage, a.s. was renamed to EP Risk Management Services, a.s.*

The structure above is listed by ownership of companies at the different levels within the Group.

## **6. SINGLE AUDIT REPORT**

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder of EP Power Europe, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

#### Opinion

We have audited the accompanying financial statements of EP Power Europe, a.s. (hereinafter also the “Company”) prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2023, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EP Power Europe, a.s. as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

#### Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information. As part of our responsibilities in connection with the audit of the financial statements, we are required to express an opinion on the other information.

As stated in Note 2.11 to the financial statements, EP Power Europe, a.s. has not prepared an annual report as at 31 December 2023 as it intends to include the relevant information in the consolidated annual report. Accordingly, this auditor's report does not include our opinion on the other information.

#### Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 23 February 2024

Audit firm:

Deloitte Audit s.r.o.  
registration no. 079

The Deloitte logo, consisting of the word "Deloitte" in a stylized, cursive blue font.

Statutory auditor:

Ladislav Šauer  
registration no. 2261

A blue ink signature, likely of Ladislav Šauer, written in a cursive style.

## **7. STATUTORY FINANCIAL STATEMENTS**



**BALANCE SHEET**  
full version

EP Power Europe, a.s.  
Corporate ID 278 58 685

As of  
December 31, 2023  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		December 31, 2023			December 31, 2022
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>99,513,551</b>	<b>482,926</b>	<b>99,030,625</b>	<b>68,801,177</b>
<b>B.</b>	<b>Fixed assets</b>	<b>40,649,381</b>	<b>438,420</b>	<b>40,210,961</b>	<b>37,748,017</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>1,204</b>	<b>391</b>	<b>813</b>	<b>874</b>
B.I.2.	<i>Valuable rights</i>	<b>1,204</b>	<b>391</b>	<b>813</b>	<b>874</b>
B.I.2.2.	Other valuable rights	1,204	391	813	874
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>2,730</b>	<b>2,029</b>	<b>701</b>	<b>1,203</b>
B.II.2.	Tangible movable assets and sets of tangible movable assets	2,730	2,029	701	1,203
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>40,645,447</b>	<b>436,000</b>	<b>40,209,447</b>	<b>37,745,940</b>
B.III.1.	Equity investments - controlled or controlling entity	39,085,248	436,000	38,649,248	36,188,220
B.III.3.	Equity investments in associates	1,559,866		1,559,866	1,557,419
B.III.5.	Other non-current securities and investments	333		333	301
<b>C.</b>	<b>Current assets</b>	<b>58,852,915</b>	<b>44,506</b>	<b>58,808,409</b>	<b>31,047,398</b>
<i>C.I.</i>	<i>Inventories</i>	<b>21,193</b>		<b>21,193</b>	<b>49,453</b>
C.I.2.	Work in progress and semifinished goods	21,193		21,193	49,453
<i>C.II.</i>	<i>Receivables</i>	<b>58,772,342</b>	<b>44,506</b>	<b>58,727,836</b>	<b>30,961,348</b>
C.II.1.	Long-term receivables	<b>4,655,412</b>		<b>4,655,412</b>	<b>4,000,414</b>
C.II.1.2.	Receivables - controlled or controlling entity	4,655,412		4,655,412	4,000,414
<i>C.II.2.</i>	<i>Short-term receivables</i>	<b>54,116,930</b>	<b>44,506</b>	<b>54,072,424</b>	<b>26,960,934</b>
C.II.2.1.	Trade receivables	339,185		339,185	192,477
C.II.2.2.	Receivables - controlled or controlling entity	53,714,833		53,714,833	26,704,156
C.II.2.4.	<i>Receivables - other</i>	<b>62,912</b>	<b>44,506</b>	<b>18,406</b>	<b>64,301</b>
C.II.2.4.3.	State - tax receivables	59,830	44,506	15,324	59,212
C.II.2.4.4.	Short-term prepayments made	3,033		3,033	1,730
C.II.2.4.6.	Sundry receivables	49		49	3,359
<i>C.IV.</i>	<i>Cash</i>	<b>59,380</b>		<b>59,380</b>	<b>36,597</b>
C.IV.1.	Cash on hand	20		20	21
C.IV.2.	Cash at bank	59,360		59,360	36,576
<b>D.</b>	<b>Other assets</b>	<b>11,255</b>		<b>11,255</b>	<b>5,762</b>
D.1.	Deferred expenses	889		889	287
D.3.	Accrued income	10,366		10,366	5,475

		December 31, 2023	December 31, 2022
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>99,030,625</b>	<b>68,801,177</b>
<b>A.</b>	<b>Equity</b>	<b>31,541,113</b>	<b>36,515,423</b>
<i>A.I.</i>	<i>Share capital</i>	<i>23,526,200</i>	<i>23,526,200</i>
A.I.1.	Share capital	23,526,200	23,526,200
<i>A.II.</i>	<i>Share premium and capital funds</i>	<i>6,492,035</i>	<i>5,671,176</i>
A.II.2.	<i>Capital funds</i>	<i>6,492,035</i>	<i>5,671,176</i>
A.II.2.1.	Other capital funds	6,658,248	6,554,310
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-166,213	-883,134
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>203,547</i>	<i>3,255,530</i>
A.IV.1.	Accumulated profits or accumulated loss brought forward (+/-)	130,892	3,182,875
A.IV.2.	Statutory and other funds	72,655	72,655
A.V.	<i>Profit or loss for the current period (+/-)</i>	<i>37,826,525</i>	<i>4,062,517</i>
A.VI.	Profit share prepayments declared (-)	-36,507,194	
<b>B.+C.</b>	<b>Liabilities</b>	<b>67,485,953</b>	<b>32,285,754</b>
<b>B.</b>	<b>Reserves</b>	<b>117,349</b>	<b>19,338</b>
B.2.	Income tax reserve	112,455	15,168
B.4.	Other reserves	4,894	4,170
<b>C.</b>	<b>Payables</b>	<b>67,368,604</b>	<b>32,266,416</b>
<i>C.I.</i>	<i>Long-term payables</i>	<i>1,985,345</i>	<i>4,360,465</i>
C.I.6.	Payables - controlled or controlling entity	1,985,345	4,360,465
<i>C.II.</i>	<i>Short-term payables</i>	<i>65,383,259</i>	<i>27,905,951</i>
C.II.4.	Trade payables	224,672	97,372
C.II.6.	Payables - controlled or controlling entity	65,132,339	27,780,429
C.II.7.	Payables - associates	742	
C.II.8.	<i>Other payables</i>	<i>25,506</i>	<i>28,150</i>
C.II.8.3.	Payables to employees	8,057	7,881
C.II.8.4.	Social security and health insurance payables	1,945	1,775
C.II.8.5.	State - tax payables and subsidies	1,278	
C.II.8.6.	Estimated payables	14,129	15,479
C.II.8.7.	Sundry payables	97	3,015
<b>D.</b>	<b>Other liabilities</b>	<b>3,559</b>	
D.1.	Accrued expenses	3,559	

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

**EP Power Europe, a.s.**  
**Corporate ID 278 58 685**

Year ended  
December 31, 2023  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		Year ended December 31, 2023	Year ended December 31, 2022
I.	Sales of products and services	259,537	197,977
A.	Purchased consumables and services	377,417	230,954
A.2.	Consumed material and energy	1,838	1,476
A.3.	Services	375,579	229,478
B.	Change in internally produced inventory (+/-)	28,260	7,529
D.	Staff costs	249,578	207,226
D.1.	Payroll costs	213,653	175,074
D.2.	Social security and health insurance costs and other charges	35,925	32,152
D.2.1.	Social security and health insurance costs	35,916	32,133
D.2.2.	Other charges	9	19
E.	Adjustments to values in operating activities	45,067	602
E.1.	Adjustments to values of intangible and tangible fixed assets	562	602
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	562	602
E.3.	Adjustments to values of receivables	44,505	
III.	Other operating income	47,569,284	297
III.2.	Sales of material	16	
III.3.	Sundry operating income	47,569,268	297
F.	Other operating expenses	47,442,319	9,909
F.3.	Taxes and charges	37	920
F.4.	Reserves relating to operating activities and complex deferred expenses	724	489
F.5.	Sundry operating expenses	47,441,558	8,500
*	<b>Operating profit or loss (+/-)</b>	<b>-313,820</b>	<b>-257,946</b>
IV.	Income from non-current financial assets - equity investments	38,345,925	4,184,066
IV.1.	Income from equity investments - controlled or controlling entity	38,323,731	4,184,061
IV.2.	Other income from equity investments	22,194	5
G.	Costs of equity investments sold	2,466	
VI.	Interest income and similar income	978,199	404,543
VI.1.	Interest income and similar income - controlled or controlling entity	970,271	401,012
VI.2.	Other interest income and similar income	7,928	3,531
I.	Adjustments to values and reserves relating to financial activities	436,000	
J.	Interest expenses and similar expenses	1,046,293	401,453
J.1.	Interest expenses and similar expenses - controlled or controlling entity	1,046,293	401,453
VII.	Other financial income	1,351,622	2,639,534
K.	Other financial expenses	919,671	2,477,042
*	<b>Financial profit or loss (+/-)</b>	<b>38,271,316</b>	<b>4,349,648</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>37,957,496</b>	<b>4,091,702</b>
L.	Income tax	130,971	29,185
L.1.	Due income tax	130,971	29,185
**	<b>Profit or loss net of tax (+/-)</b>	<b>37,826,525</b>	<b>4,062,517</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>37,826,525</b>	<b>4,062,517</b>
*	Net turnover for the current period	88,504,567	7,426,417

# STATEMENT OF CHANGES IN EQUITY

EP Power Europe, a.s.  
Corporate ID 278 58 685

Year ended  
December 31, 2023  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

	Share capital	Gains or losses from the revaluation of assets	Capital funds	Accumulated losses brought forward		Profit or loss for the current period	Profit share prepayments declared	TOTAL EQUITY
<b>Balance at 31 December 2021</b>	<b>23,526,200</b>	<b>-316,754</b>	<b>4,722,163</b>	<b>3,028,935</b>	<b>72,655</b>	<b>3,487,615</b>		<b>34,520,814</b>
Distribution of profit or loss				3,487,615		-3,487,615		
Profit share payments declared				-3,333,675				-3,333,675
Equity contributions			1,832,147					1,832,147
Gains or losses from the revaluation of assets		-566,380						-566,380
Profit/Loss for the current period						4,062,517		4,062,517
<b>Balance at 31 December 2022</b>	<b>23,526,200</b>	<b>-883,134</b>	<b>6,554,310</b>	<b>3,182,875</b>	<b>72,655</b>	<b>4,062,517</b>		<b>36,515,423</b>
Distribution of profit or loss				4,062,517		-4,062,517		
Profit share payments declared				-7,114,500			-36,507,194	-43,621,694
Equity contributions			103,938					103,938
Gains or losses from the revaluation of assets		716,921						716,921
Profit/Loss for the current period						37,826,525		37,826,525
<b>Balance at 31 December 2023</b>	<b>23,526,200</b>	<b>-166,213</b>	<b>6,658,248</b>	<b>130,892</b>	<b>72,655</b>	<b>37,826,525</b>	<b>-36,507,194</b>	<b>31,541,113</b>

# CASH FLOW STATEMENT

EP Power Europe, a.s.  
Corporate ID 278 58 685

Year ended  
December 31, 2023  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		Year ended December 31, 2023	Year ended December 31, 2022
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>36,597</b>	<b>45,468</b>
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss from ordinary activities before tax	37,957,496	4,091,702
A.1.	Adjustments for non-cash transactions	-38,222,950	-4,559,254
A.1.1.	Depreciation of fixed assets	562	602
A.1.2.	Change in provisions and reserves	481,230	489
A.1.4.	Income from equity investments	-38,345,925	-4,184,065
A.1.5.	Costs of equity investments sold	2,466	
A.1.6.	Interest expense and interest income	68,094	-3,090
A.1.7.	Adjustments for other non-cash transactions	-429,377	-373,190
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>-265,454</b>	<b>-467,552</b>
A.2.	Change in working capital	3,095	-75,420
A.2.1.	Change in operating receivables and other assets	-154,122	-57,419
A.2.2.	Change in operating payables and other liabilities	128,957	-25,529
A.2.3.	Change in inventories	28,260	7,528
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>-262,359</b>	<b>-542,972</b>
A.3.	Interest paid	-931,765	-153,252
A.4.	Interest received	757,919	101,110
A.5.	Income tax paid from ordinary operations	-33,675	-2,643
<b>A.***</b>	<b>Net operating cash flows</b>	<b>-469,880</b>	<b>-597,757</b>
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-2,498,481	-2,310,813
B.2.	Proceeds from fixed assets sold	2,376	
B.3.	Loans and borrowings to related parties	12,579,951	3,753,753
	Received profit shares	8,703,935	4,175,673
<b>B.***</b>	<b>Net investment cash flows</b>	<b>18,787,781</b>	<b>5,618,613</b>
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	6,256,445	-3,199,908
C.2.	Impact of changes in equity	-24,551,563	-1,829,819
C.2.3.	Other cash contributions made by partners	103,937	1,509,287
C.2.6.	Profit shares paid	-24,655,500	-3,339,106
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-18,295,118</b>	<b>-5,029,727</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>22,783</b>	<b>-8,871</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>59,380</b>	<b>36,597</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2023**

<b>Company Name:</b>	EP Power Europe, a.s.
<b>Registered Office:</b>	Pařížská 130/26, Josefov, 110 00 Prague 1
<b>Legal Status:</b>	Joint-Stock Company
<b>Corporate ID:</b>	278 58 685

## CONTENTS:

<b>1.</b>	<b>GENERAL INFORMATION .....</b>	<b>3</b>
1.1.	Incorporation and description of the Company .....	3
1.2.	Board of Directors and Supervisory Board as of the Balance Sheet Date.....	3
<b>2.</b>	<b>ACCOUNTING POLICIES.....</b>	<b>4</b>
2.1.	Tangible and Intangible Fixed Assets .....	4
2.2.	Non-Current Financial Assets .....	5
2.3.	Inventory .....	5
2.4.	Receivables .....	6
2.5.	Payables .....	6
2.6.	Income Tax .....	6
2.7.	Loans Received .....	6
2.8.	Foreign Currency Translation .....	6
2.9.	Recognition of Expenses and Revenues.....	7
2.10.	Use of Estimates .....	7
2.11.	Consolidation .....	7
2.12.	Year-on-Year Changes in Accounting Policies.....	7
<b>3.</b>	<b>OTHER SIGNIFICANT EVENTS.....</b>	<b>8</b>
<b>4.</b>	<b>CASH FLOW STATEMENT .....</b>	<b>9</b>
<b>5.</b>	<b>ADDITIONAL INFORMATION.....</b>	<b>10</b>
5.1.	Non-current financial assets .....	10
5.2.	Inventory .....	12
5.3.	Long-term receivables.....	12
5.4.	Short-term receivables .....	13
5.5.	Equity.....	14
5.6.	Long-term payables.....	15
5.7.	Short-term payables .....	15
5.8.	Income and expenses .....	16
5.9.	Income tax.....	17
5.10.	Information on related parties (excluding previously-mentioned balances) .....	17
5.11.	Employees, executives and statutory bodies .....	17
5.12.	Significant off-balance sheet transactions .....	18
<b>6.</b>	<b>SIGNIFICANT SUBSEQUENT EVENTS .....</b>	<b>19</b>

## 1. GENERAL INFORMATION

### 1.1. Incorporation and description of the Company

EP Power Europe, a.s. (the “Company”, “EPPE”) was incorporated as a joint-stock company on 16 September 2008 following its registration in the Register of Companies maintained by the Regional Court in Ostrava. On 25 May 2016, the file number was transferred to the Municipal Court in Prague.

The EPPE Group is an energy utility group specialising in the generation of electric power, renewable resources, and trading.

The following table shows legal entities with an equity interest and the amount of their equity interest:

Shareholder	Ownership percentage
Energetický a průmyslový holding, a.s.	100%
<b>Total</b>	<b>100%</b>

### 1.2. Board of Directors and Supervisory Board as of the Balance Sheet Date

	Position	Name
<b>Board of Directors</b>	Chairman	Daniel Křetínský
	Vice-Chairman	Pavel Horský
	Vice-Chairman	Marek Spurný
	Vice-Chairman	Tomáš David
	Vice-Chairman	Jan Špringl
	Member	Jiří Feist
	Member	Tomáš Novotný
	Member	Filip Bělák
	Member	Miroslav Haško
	Member	Leif Timmermann
	Member	Gary Wheatley Mazzotti
	Member	Peter Černák
<b>Supervisory Board</b>	Member	Ivan Jakabovič
	Member	Martin Fedor
	Member	Miloš Badida



## 2. ACCOUNTING POLICIES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act No. 563/1991 Coll., as amended; Regulation No. 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis (unless stated otherwise), the accruals principle, the prudence concept and the going concern assumption.

The Company's financial statements have been prepared as of and for the reporting period from 1 January 2023 to 31 December 2023 ("reporting period"). Comparative figures for the previous reporting period are presented for calendar year 2022.

These financial statements are presented in thousands of Czech crowns (CZK '000), unless stated otherwise.

### 2.1. Tangible and Intangible Fixed Assets

#### *Manner of valuation*

Purchased assets are valued according to Section 47 of Regulation No. 500/2002 Coll. Tangible fixed assets with an acquisition cost lower than CZK 80 thousand and intangible fixed assets with an acquisition cost lower than CZK 80 thousand are not reported in the balance sheet and are recognised in expenses in the year of their acquisition.

Temporary impairment of tangible and intangible fixed assets is recognised through provisions, which are reported in the balance sheet in the 'Adjustment' column together with amortisation/depreciation.

The cost of tangible and intangible fixed asset improvements increases the acquisition cost of the related fixed asset. Repairs and maintenance are expensed in the current reporting period.

#### *Depreciation/Amortisation*

Depreciation/amortisation is charged so as to write off the cost of tangible and intangible fixed assets, over their estimated useful lives, using the straight-line method on a monthly basis. The first depreciation/amortisation charge is made in the month following the date the asset is put in service and depreciation/amortisation is discontinued in the month the asset is disposed of.

The following table presents the methods and number of years of depreciation/amortisation as per the asset type:

Type of assets	Depreciation/amortisation method	Number of years
Computers	Straight-line	3 years
Cars	Straight-line	5 years
Trademarks	Straight-line	20 years

Land, works of art and fixed assets under construction are not depreciated/amortised.

## **2.2. Non-Current Financial Assets**

Non-current financial assets consist of equity investments in subsidiaries and associates, securities available for sale held to maturity falling due in more than a year.

Upon acquisition securities and equity investments are carried at cost. The cost of securities and equity investments includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments – controlled entity and equity investments in associates, or securities and equity investments available for sale.

Financial assets maturing in or intended to be held for more than one year are reported as non-current; financial assets maturing in or intended to be held for less than one year are reported as current.

Investments in enterprises in which the Company has the power to govern the financial flows and operating policies so as to obtain benefits from their operations are treated as 'Equity investments - controlled entity'. Investments in enterprises in which the Company is in a position to exercise significant influence over their financial flows and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates.' Investments that do not fall within any of the above categories are classified as other non-current equity investments.

### *Valuation of financial assets as of the balance sheet date*

As of the balance sheet date, equity investments are valued at cost and in case of a temporary impairment of a relevant investment, a provision is created.

If securities are held in foreign currencies, they are translated as of the balance sheet date using the current exchange rates announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

## **2.3. Inventory**

Work in progress is valued at the cost of producing the inventory, which primarily consists of material and labour costs and other operating expenses based on the state of completion. Decrease in work in progress is measured by actual own costs.

#### **2.4. Receivables**

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisions for doubtful and bad amounts.

#### **2.5. Payables**

Payables are recognised at nominal value.

#### **2.6. Income Tax**

Current tax payable is calculated using the effective tax rate and the accounting profit increased or decreased by permanent or temporary non-deductible expenses and non-taxable revenues (e.g. the creation and utilisation of other reserves and provisions, representation costs, differences between depreciation for accounting and tax purposes).

An income tax reserve is created as the financial statements are prepared before the tax liability is determined. In the subsequent reporting period, the Company releases this reserve and reports the actual tax liability determined.

In the balance sheet, the income tax reserve is reduced by income tax prepayments, and the net liability (if any) is recorded in 'Income tax reserve', and the net receivable (if any) is recorded in 'State – tax receivables'.

Deferred income tax is determined for companies constituting a group of companies and for all reporting entities with the obligation of having their financial statements audited. It is based on the balance sheet approach, i.e. the temporary differences between the tax base of assets and liabilities and their book value in the balance sheet, multiplied by the income tax rate expected to be valid for the subsequent reporting period.

A deferred tax asset is recognised only if it is probable that it will be utilised in future reporting periods.

#### **2.7. Loans Received**

Short-term and long-term loans are initially recorded at their nominal value upon receipt. Upon the preparation of the financial statements, the loan balances are increased by outstanding interest charged by banks or other parties. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

#### **2.8. Foreign Currency Translation**

Assets and liabilities denominated in foreign currencies are translated to CZK using the official exchange rate of the Czech National Bank effective on the date of acquisition of an asset or the occurrence of a liability.

Realised foreign exchange gains and losses are recognised in the income or expenses of the current year. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated using the prevailing official exchange rate of the Czech National Bank and all foreign exchange gains or losses from the revaluation of assets and liabilities are recognised in financial income or financial expenses (apart from equity investments, see Note 2.2.).

## **2.9. Recognition of Expenses and Revenues**

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing. In compliance with the principle of prudence, reserves and provisions are created to cover all risks, losses and impairment known as of the balance sheet date and are charged to expenses.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

## **2.10. Use of Estimates**

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

## **2.11. Consolidation**

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU. The Czech translation of the consolidated financial statements, along with the consolidated annual report, will be published in the Register of Companies.

The consolidated financial statements for the widest group of entities are prepared by EP Investment S.à r.l, with its registered office at 2, Place de Paris, L - 2314 Luxembourg. They will be available at the Company's registered office.

The Company does not prepare an annual report as of the date of these separate financial statements as it intends to include the relevant information in the consolidated annual report.

## **2.12. Year-on-Year Changes in Accounting Policies**

In the reporting period for which the financial statements have been prepared, the Company made no changes to its accounting policies.

### **3. OTHER SIGNIFICANT EVENTS**

In the context of the ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation, the Company has identified risks and has taken reasonable measures to mitigate the impact on its business. Based on available information and current developments, the Company continuously analyses the situation and assesses its direct impact on the Company. The Company's management has assessed the potential impact of this situation on its operations and business and has concluded that it does not currently have a material impact on these financial statements or on the going concern assumption in the period after 31 December 2023. However, further negative developments in this situation cannot be ruled out, which could subsequently have a negative impact on the Company, its business, financial position, results of operations, cash flows and overall outlook.

In accordance with the accounting policy described in 2.2. Equity investments, the value of the equity investments was tested for impairment. The Company monitors the financial performance of its subsidiaries on a regular basis and evaluates scenarios for the performance of its key subsidiaries. For the purpose of preparing the financial statements, the Company has evaluated scenarios of possible future developments that may impact the value of the equity investments. The Company has used various scenarios of future developments, including pessimistic options, which included, among others, a complete cessation of Russian gas flows to EU countries. However, future developments cannot be reliably predicted and therefore the need for adjustments to the values of equity investments in future periods cannot be excluded. As part of the impairment testing performed, the Company did not identify any impairment of the equity investments as of 31 December 2023 caused by the ongoing military conflict in Ukraine that would require an adjustment to the respective valuations in the financial statements under applicable accounting regulations.

In 2023, the Company received an extraordinary dividend from its subsidiary EPPE Germany, a.s. as a result of the disposal of equity investments in Lausitz Energie Kraftwerke AG, Lausitz Energie Bergbau AG and LEAG Holding, a.s.

#### 4. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

	(CZK '000)	
	Balance at 31 Dec 2023	Balance at 31 Dec 2022
Cash on hand	20	21
Cash at bank	59 360	36 576
<b>Total</b>	<b>59 380</b>	<b>36 597</b>

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

**5. ADDITIONAL INFORMATION****5.1. Non-current financial assets**Equity investments – controlled entity

				(CZK '000)	
Company name	Amount of ownership interest	Total profit (+) /loss (-)  for the period 1/1/2023 – 31/12/2023 <sup>1</sup>	Equity  as of 31/12/2023 <sup>1</sup>	Value of ownership interest  as of 31/12/2023	Value of ownership interest  as of 31/12/2022
Equity investments – controlled entity					
Belfast Power Holdings Limited***	0%	-	-	-	151 653
Biomasse Servizi S.r.l.*	51%	-3 955	16 565	3 909	3 813
Boldore*	100%	-59	1 187	2 090	2 090
EP Risk Management Services, a.s. (formerly EP BidCo Storage, a.s.)***	100%	1 393	15 983	12 000	2 000
Resource Invest AG (formerly EP Commodities AG)	0%	-	-	-	2 450
EP Commodities, a.s.**	100%	2 675 712	8 859 263	734 694	734 695
EP CTA GmbH *	100%	-134	912	705	687
EP France Développement SAS	100%	95	12 365	12 362	12 058
EP France S.A.S.**	100%	697 395	22 753 270	1	72 657
EP Hungary s.r.o.**	90%	18 561	761 191	670 595	448 011
EP Netherlands**	100%	1 111 703	1 461 537	42 527	41 478
EP New Energy Italia S.r.l.**	51%	182 489	3 317 169	606 527	450 129
EP Power Minerals GmbH**	100%	51 914	1 239 910	1 456 051	1 373 677
EP Produzione S.p.A.**	100%	1 689 060	7 114 179	20 495 556	20 493 695
EP Resources AG**	100%	-1 200 765	1 285 257	3 522 816	3 327 120
EP Resources CZ a.s.**	100%	833 211	1 443 649	366 000	366 000
EP UK Investments Ltd**	100%	6 657 747	8 052 792	6 080 833	5 814 274
EP Ukraine B.V.**	90%	-253	15 119	23 588	23 005
EPPE Germany, a.s.*	100%	46 973 663	31 757 422	3 718 394	3 865 587
Industrial Park Opatovice s.r.o.*	100%	-15	194	200	200
EP Commodities AG (formerly International Resource Invest AG)**	100%	5 273 695	4 799 588	1 334 400	2 940
MENH a.s.	100%	- 32	2 000	2 000	-
<b>Total</b>				<b>39 085 248</b>	<b>36 188 220</b>
Equity investments in associates					
Ergosud S.p.A.**	50%	180 352	3 443 179	1 539 344	1 538 127
Greeninvest Energy, a.s.	39.73%	74 740	460 839	1	1
GENETT GAS a.s.	30%	-	1 975	19 780	19 292
Sunrise BidCo GmbH	100%	-	741	741	-
<b>Total</b>				<b>1 559 866</b>	<b>1 557 419</b>

<sup>1</sup> Converted from the Company's functional currency to CZK at the exchange rate as of 31 December 2023 announced by the Czech National Bank

\* Data based on unaudited statutory financial statements of the companies.

\*\*Data based on the interim financial statements prepared in accordance with IFRS.

Registered seats of the companies as of 31 December 2023 are as follows:

Biomasse Servizi S.r.l.	Via Vittorio Veneto 74, Rome, Italy
Boldore a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
Ep Risk Management Services, a.s. (formerly EP BidCo Storage, a.s..)	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
EP Commodities a.s.	Klimentská 1216/46, Nové Město, 110 00 Praha 1, ČR
EP CTA GmbH	Theresienhöhe 30, 80339 München, Germany
EP France Développement S.A.S.	2 Rue Berthelot 92400 Courbevoie, France
EP France S.A.S.	2 Rue Berthelot 92400 Courbevoie, France
EP Hungary s.r.o.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
EP Netherlands B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Netherlands
EP New Energy Italia S.r.l.	Via Vittorio Veneto 74, Rome, Italy
EP Power Minerals GmbH	Duisburger Strasse 170, 46535 Dinslaken, Germany
EP Produzione S.p.A.	Via Vittorio Veneto 74, Rome, Italy
EP Resources AG	Theilerstrasse 1a, CH-6300 Zug, Switzerland
EP Resources CZ a.s.	Českoobrátská 3321/46, Moravská Ostrava, 702 00 Ostrava, Czech Republic
EP UK Investments Ltd	Byron House, 7–9 St James's Street, London, UK
EP Ukraine B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Netherlands
EPPE Germany, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
Industrial Park Opatovice s.r.o.	533 45 Opatovice nad Labem 478, Czech Republic
EP Commodities AG (formerly International Resource Invest AG)	Theilerstrasse 1a, CH-6300 Zug, Switzerland
MENH, a.s	Partyzánská 1/7, Holešovice, 170 00 Prague 7
Ergosud S.p.A.	Via Vittorio Veneto 74, Rome, Italy
Greeninvest Energy, a.s.	Příkop 843/4, Zábřovice, 602 00 Brno, Czech Republic
GENETT GAS a.s.	Jemnická 345/5, Michle, 140 00 Prague 4, Czech Republic
Sunrise BidCo GmbH	Leagplatz 1, 03050 Cottbus

*In the reporting period from 1 January 2023 to 31 December 2023, the following material changes in non-current financial assets were made:*

On 7 February 2023, the Company increased its equity investment in EP Power Minerals GmbH in the form of an additional equity contribution in the amount of EUR 935 thousand (CZK 22,271 thousand).

On 21 February 2023, the company increased its equity investment in EP Hungary s.r.o. in the form of an additional equity contribution in the amount of CZK 163,516 thousand.

On 21 February 2023, the Company increased its equity investment in EP Commodities AG (formerly International Resource Invest AG) in the form of an additional equity contribution in the amount of CHF 49,880 thousand (CZK 1,201,110 thousand).

On 6 March 2023, the Company increased its equity investment in EPPE Germany, a.s. in the form of an additional equity contribution in the amount of CZK 18,000 thousand.



On 22 May 2023, the Company increased its equity investment in EP Hungary s.r.o. in the form of an additional equity contribution in the amount of CZK 59,068 thousand.

On 27 June 2023, the Company increased its equity investment in EP New Energy Italia S.r.l. in the form of an additional equity contribution in the amount of CZK 5,865 thousand (CZK 138,443 thousand).

On 15 August 2023, the Company sold a part of its equity investment in Greeninvest Energy, a.s. and as of 31 December 2023 the Company reports an equity investment in associates (31 December 2022 classified under investments in subsidiaries).

On 25 August 2023, the Company increased its equity investment in EP Power Minerals GmbH in the form of an additional equity contribution in the amount of EUR 925 thousand (CZK 22,323 thousand).

On 8 September 2023, the Company increased its equity investment in EP Resources AG in the form of an additional equity contribution in the amount of CHF 37,000 thousand (CZK 948,495 thousand).

On 9 November 2023, it was decided to return the additional equity contribution to the sole shareholder of EPPE Germany, a.s. in the amount of CZK 165,194 thousand.

As at 31 December 2023, the Company created a provision against the equity investment of EP Resources AG in the total amount of CZK 436,000 thousand (31 December 2022: CZK 0) arising from a temporary decrease in the realisable amount.

## 5.2. Inventory

Work-in-progress includes own costs of provided consultation services for unfinished projects. Unfinished projects are held on the balance sheet until they are closed and invoiced to the counterparty.

## 5.3. Long-term receivables

*Receivables – controlled or controlling entity*

31 December 2023

(CZK '000)		
Counterparty	Principal	Outstanding interest as of 31/12/2023
EP Netherlands B.V.	3 989 026	47 771
EP Hungary s.r.o.	120 830	3 285
EP Power Minerals GmbH	494 500	-*
<b>Total</b>	<b>4 604 356</b>	<b>51 056</b>

\* Outstanding interest is presented in Short-term receivables.

31 December 2022

(CZK '000)		
Counterparty	Principal	Outstanding interest as of 31/12/2022
EP Power Minerals GmbH	482 300	-*
EP UK Investments Ltd	3 345 600	172 514
<b>Total</b>	<b>3 827 900</b>	<b>172 514</b>

\* Outstanding interest is presented in Short-term receivables.

**5.4. Short-term receivables***Trade receivables*

As of 31 December 2023, trade receivables amount to CZK 339,185 thousand (as of 31 December 2022: CZK 192,477 thousand). As of the balance sheet date, there are no trade receivables with a maturity exceeding 5 years.

*Receivables – controlled or controlling entity*

31 December 2023

		(CZK '000)
Counterparty	Principal	Outstanding interest as of 31/12/2023
Energetický a průmyslový holding, a.s.	8 687 809	314 886
Blitz Erste Gründungs GmbH (formerly EP CTA GmbH)	742	-
EP France S.A.S.	1	626
EP Commodities AG	5 155 685	982
EP Commodities, a.s.	7 180 781	-
EPPE Germany, a.s.	1 978	-
EP Power Minerals GmbH*	-	3 139
<b>Total</b>	<b>21 026 996</b>	<b>319 633</b>

\*Outstanding principal is presented in Long-term receivables

As of 31 December 2023, the Company records receivables arising from dividends from EP Produzione S.p.A. in the total amount of CZK 3,918,913 thousand (31 December 2022: CZK 0 thousand).

As of 31 December 2023, the receivables from a controlled or controlling entity also include an assignment receivable in the total amount of CZK 28,449,291 thousand (31 December 2022: CZK 0 thousand).

*Receivables – controlled or controlling entity*

31 December 2022

		(CZK '000)
Counterparty	Principal	Outstanding interest as of 31/12/2022
Belfast Power Holdings Limited	5 452	-
Energetický a průmyslový holding, a.s.	5 592 498	7 318
EP Commodities AG (formerly International Resource Invest AG)	7 957 950	3 650
EP CTA GmbH	724	-
EP France S.A.S.	3	3
EP Power Minerals GmbH	-*	2 557
EP UK Investments Ltd	13 087 891	44 181
EPPE Germany, a.s.	1 929	-
<b>Total</b>	<b>26 646 447</b>	<b>57 709</b>

\*Outstanding principal is presented in Long-term receivables

*State – tax receivables*

As of 31 December 2023, this item principally includes a receivable arising from other direct taxes in the amount of CZK 44,506 thousand and value-added tax in the amount of CZK 15,332 thousand. A 100% provision against the receivable from other direct taxes was created in 2023. As of 31 December 2022, this item principally includes a receivable arising from other direct taxes in the amount of CZK 43,307 thousand and a receivable arising from value-added tax in the amount of CZK 15,905 thousand.

*Sundry receivables*

As of 31 December 2023, other receivables principally include other receivables from other operating activities in the amount of CZK 49 thousand.

As of 31 December 2022, sundry receivables principally include interest arising from a loan granted to an unrelated party in the amount of CZK 3,355 thousand and other receivables from other operating activities in the amount of CZK 4 thousand.

## **5.5. Equity**

As of 31 December 2023, EPPE has a total of 117,631 ordinary certificated registered shares with a nominal value of CZK 200 thousand per share; the Company's registered capital thus amounts to CZK 23,526,200 thousand.

On 7 February 2023, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 22,271 thousand, which was paid by a bank transfer.

On 19 May 2023, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 59,343 thousand, which was paid by a bank transfer.

On 25 August 2023, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 22,323 thousand, which was paid by a bank transfer.

The change in Gains or losses from the revaluation of assets and liabilities is caused by the exchange rate gains/losses arising from the revaluation of equity investments denominated in foreign currencies.

On 30 May 2023, the sole shareholder decided to transfer the 2022 profit to the accumulated losses/profits account.

On 30 May 2023, the sole shareholder of the Company decided on the payment of a dividend of EUR 300,000 thousand. The dividend was paid by a bank transfer.

On 9 October 2023, the Company's sole shareholder resolved, on the basis of the interim financial statements, to pay a profit share prepayment in the total amount of CZK 17,541,000 thousand.

On 28 November 2023, the Company's sole shareholder resolved, on the basis of the interim financial statements, to pay a profit share prepayment in the total amount of CZK 18,966,194 thousand.

As of 31 December 2023, the Company records no liabilities arising from dividends.

No treasury shares were acquired during the reporting period from 1 January 2023 to 31 December 2023.

## 5.6. Long-term payables

*Payables – controlled or controlling entity*

31 December 2023

(CZK '000)		
Counterparty	Principal	Outstanding interest as of 31/12/2023
Energetický a průmyslový holding, a.s.	1 975 205	10 140
<b>Total</b>	<b>1 975 205</b>	<b>10 140</b>

*Payables – controlled or controlling entity*

31 December 2022

(CZK '000)		
Counterparty	Principal	Outstanding interest as of 31/12/2022
Energetický a průmyslový holding, a.s.	4 193 900	166 565
<b>Total</b>	<b>4 193 900</b>	<b>166 565</b>

## 5.7. Short-term payables

*Trade payables*

As of 31 December 2023, total trade payables amount to CZK 244,672 thousand (as of 31 December 2022: CZK 97,372 thousand). As of the balance sheet date, there are no trade payables with a maturity exceeding 5 years.

*Payables – controlled or controlling entity*

31 December 2023

(CZK '000)		
Counterparty	Principal	Outstanding interest as of 31/12/2023
Energetický a průmyslový holding, a.s.	29 033 758	4 074
Saale Energie GmbH	7 392 868	252 348
<b>Total</b>	<b>36 426 626</b>	<b>256 422</b>

Liabilities to a controlled or controlling entity also include a liability arising from an assigned receivable in the total amount of CZK 28,449,291 thousand (31 December 2022: CZK 0 thousand).

*Payables – controlled or controlling entity*

31 December 2022		(CZK '000)
Counterparty	Principal	Outstanding interest as of 31/12/2022
Energetický a průmyslový holding, a.s.	21 452 101	49 436
Saale Energie GmbH	6 269 536	9 356
<b>Total</b>	<b>27 721 637</b>	<b>58 792</b>

*Estimated payables*

As of 31 December 2023, estimated payables in the total amount of CZK 14,129 thousand (31 December 2022: CZK 15,479 thousand) principally include expenses for legal advisory in the amount of CZK 9,285 thousand as well as guarantee expenses in the amount of CZK 3,479 thousand (as of 31 December 2022: expenses for legal advisory in the amount of CZK 9,367 thousand and guarantee expenses of CZK 4,873 thousand).

Payables arising from social and health insurance are not past due.

**5.8. Income and expenses**

The increase in sales was influenced by the provision of centralised in-house services, especially in the areas of controlling, financial management, legal advisory, central procurement, and IT.

Services principally include expenses arising from bookkeeping, auditing, consolidation, as well as legal, advisory and notary services.

As of 31 December 2023, other operating income amounts to CZK 47,569,284 thousand. Sundry operating income principally includes income from the assignment of receivables of Energetický a průmyslový holding in the total amount of CZK 47,415,485 thousand.

As of 31 December 2023, the receivables from the assigned receivables were partially settled by offsetting them against the liability from the profit share prepayment in the total amount of CZK 18,966,194 thousand.

As of 31 December 2023, other operating expenses amount to CZK 47,442,319 thousand. Sundry operating expenses principally include costs from the assignment of receivables from EPPE Germany, a.s. in the total amount of CZK 47,415,485 thousand.

As of 31 December 2023, the liabilities from the assigned receivables were partially settled by offsetting them against the receivable from the profit share prepayment and the receivable from the return of the additional equity contribution of EPPE Germany, a.s.

Revenues from non-current financial assets – investments principally include revenues from the dividends declared by EP Commodities, a.s., EP Produzione S.p.A., EP UK

Investments Ltd and EPPE Germany, a.s., Greeninvest Energy, a.s. in the total amount of CZK 38,345,925 thousand (31 December 2022: CZK 4,184,066 thousand).

Other financial expenses and other financial income mainly represent foreign exchange losses and foreign exchange gains, income and expenses relating to guarantees and the expense of write-off of the investment due to the liquidation of the company.

## 5.9. Income tax

The current income tax estimate and overview of income tax prepayments as of 31 December 2023 and as of 31 December 2022 are shown below:

	Balance as of 31/12/2023	Balance as of 31/12/2022
Current income tax estimate	127 368	26 223
Current income tax prepayments	-14 913	-7 295
Corporate income tax overpaid 2019/2018	-	-3 760
<b>Income tax reserve (+)</b>		
<b>/ State - tax receivables (-)</b>	<b>-112 455</b>	<b>-15 168</b>

Expenses in the amount of CZK 130,971 thousand in 2023 represent the income tax reserve of CZK 127,368 thousand and the difference between the tax liability for 2022 and the release of the income tax reserve created as of 31 December 2022 in the amount of CZK 3,603 thousand.

Expenses of CZK 29,185 thousand in 2022 represent the income tax reserve of CZK 26,223 thousand and the difference between the tax liability for 2021 and the release of the income tax reserve created as of 31 December 2021 in the amount of CZK 2,962 thousand.

## 5.10. Information on related parties (excluding previously-mentioned balances)

Pursuant to Regulation No. 500/2002 Coll., Section 39b (8), the Company does not disclose transactions concluded between reporting entities of the EPPE consolidation group if these consolidated reporting entities are fully owned by the Company.

In addition to income from re-billing and income described in more detail in other Notes above, the Company reported the following income and expenses from related parties that are not fully owned by the Company.

	(in CZK thousand)			
	2023 Income	2023 Expenses	2022 Income	2022 Expenses
Interest income/expenses	310 900	538 552	67 652	324 022
Sales of services/purchased consumables and services	91 499	191 519	62 706	82 465
Other operating income/expenses	0	47	-	132
Other financial income/expenses	3 277	14 944	141 230	22 281
<b>Total</b>	<b>405 676</b>	<b>745 062</b>	<b>271 588</b>	<b>428 900</b>

## 5.11. Employees, executives and statutory bodies

The average number of the Company's employees in full time equivalent units during the reporting period was 36 (as of 31 December 2022: 36).

The members of the Company's Board of Directors, Supervisory Board or executives did not receive any advantages (advances, earnest money, loans etc.) as a result of performing their duties in the reporting period from 1 January 2023 to 31 December 2023 and 2022.

#### **5.12. Significant off-balance sheet transactions**

The Company reports off balance sheet a payable arising from guarantees provided to group companies totalling CZK 10,669,100 thousand (as of 1 January 2022: CZK 4,092,243 thousand) and a receivable totalling CZK 1,236,250 thousand (as of 1 January 2022: CZK 1,205,748 thousand), which is the difference between the nominal value and acquisition cost of EPPE's receivable from EP France obtained during the acquisition of the EP France group.

## 6. SIGNIFICANT SUBSEQUENT EVENTS

On 30 January 2024, the Company decided to reduce its equity investment in EPPE Germany, a.s. in the form of a return of previously granted additional equity contributions in the total amount of EUR 11,368 thousand (CZK 282,291 thousand).

Based on the amendment to Regulation No. 500/2002 Coll., the Company has analysed the primary economic environment in which the Company operates. Based on the analysis, the Company determined that its functional currency is the Euro. Accordingly, the Company switched from the historically used functional currency of CZK to the new functional currency of EUR as of 1 January 2024.

On January 30, 2024, the Company, as the sole shareholder in EPPE Germany, a.s., approved the payment of an ordinary dividend in the total amount of EUR 1,891,507 thousand in the context of the settlement of the profit and loss of EPPE Germany, a.s. (CZK 46,968,000 thousand), of which EUR 760,404 thousand (CZK 18,801,000 thousand) was settled against the profit share prepayment of EPPE Germany, a.s. paid to the Company during 2023.

The Company is part of a multinational group of entities subject to the new minimum 15% taxation rules introduced under Pillar Two of the BEPS 2.0 initiative from 2024. The related legislation was enacted shortly before the date of the financial statements. At the same time, legislators are still issuing further guidance affecting the implications of the Pillar Two legislation. As a result, the Group and the Company were still in the process of assessing potential income tax exposure under Pillar Two as at 31 December 2023. Any significant income tax exposure under Pillar Two is currently unknown or cannot be reliably estimated or measured. The Company, in cooperation with the Group, continues to actively monitor developments in legislation relating to Pillar Two and assesses any potential impact of Pillar Two.

Apart from the matters disclosed above and elsewhere in these notes to the financial statements, management is not aware of any other material subsequent events that would have an impact on the financial statements as of 31 December 2023.

Date:

Signature of Statutory body

23 February 2024

Marek Spurný  
Member of the Board of  
Directors

Pavel Horský  
Member of the Board of  
Directors